($845 million after-tax) against the company's share of the White Rose and Terra Nova assets.

Adjusted funds from operations were $1.478 billion in 2021, compared to $1.054 billion in 2020. The increase was largely due to the same factors that impacted adjusted operating earnings described above, excluding the impacts of DD&A and exploration expense.

**Volumes**[(1)]

| Year ended December 31 | 2021 | 2020 | 2019 |
|---|---|---|---|
| E&P Canada (mbbls/d) | **54.4** | 59.7 | 59.9 |
| E&P International (mboe/d) | **33.1** | 42.0 | 46.9 |
| Total production (mboe/d) | **87.5** | 101.7 | 106.8 |
| Total sales volumes (mboe/d) | **82.8** | 102.6 | 106.0 |

(1) Beginning in 2020, the company revised the presentation of its production volumes to aggregate production from each asset into the categories of "E&P Canada" and "E&P International" to simplify the presentation. Comparative periods have been updated to reflect this change.

E&P Canada production volumes averaged 54,400 bbls/d in 2021, compared to 59,700 bbls/d the prior year, primarily due to natural declines. Both periods were impacted by the absence of production from Terra Nova as the asset has remained off-line since the fourth quarter of 2019.

E&P International production volumes averaged 33,100 boe/d in 2021, compared to 42,000 boe/d in 2020, with the decrease primarily related to natural declines at Buzzard and Oda, partially offset by increased liftings in Libya in 2021 compared to 2020.

E&P sales volumes averaged 82,800 mboe/d in 2021, compared to 102,600 mboe/d in the prior year, consistent with the decrease in production and including a build of inventory in the U.K. and in Canada associated with the timing of cargo sales at year-end.

**Price Realizations**[(1)]

| Year ended December 31<br>Net of transportation costs, but before royalties | 2021 | 2020 | 2019 |
|---|---|---|---|
| E&P Canada – Crude oil and natural gas liquids ($/bbl) | **84.70** | 49.69 | 84.86 |
| E&P International[(2)] ($/boe) | **82.16** | 50.28 | 81.22 |

(1) Contains non-GAAP financial measures. See the Advisories – Non-GAAP Financial Measures section of this MD&A.

(2) E&P International price realizations include the company's U.K. and Norway assets and exclude Libya for all periods presented.

Price realizations at E&P Canada and E&P International increased in 2021 from the prior year, in line with the improved commodity price environment. The prior year was impacted by the significant decline in transportation fuel demand due to the impacts of the COVID-19 pandemic. Price realizations improved in 2021, in line with increased commodity demand, optimism relating to vaccine rollouts and OPEC+ supply management actions.

**Royalties**

E&P royalties in 2021 were higher than the prior year primarily due to the increase in price realizations.

**Expenses and Other Factors**

Operating expenses for 2021 were comparable to the prior year.

DD&A and exploration expenses in 2021 decreased from the prior year as a result of the absence of DD&A on the company's White Rose assets in 2021, as a result of impairment charges in the fourth quarter of 2020, lower DD&A on the Golden Eagle Area Development asset as a result of the asset sale that occurred during the year, lower sales volumes and a decline in exploration activities.

### Non-Cash Asset Impairment Reversal

During the third quarter of 2021, the company recorded a non-cash impairment reversal of $221 million ($168 million after-tax) on its share of the Terra Nova assets as a result of the ALE Project moving forward and the benefit of royalty and financial support from the Government of Newfoundland and Labrador.

### Planned Maintenance of Operated Assets

There are no other planned maintenance activities at Terra Nova once the asset returns to operations, which is expected to occur before the end of 2022.

## Refining and Marketing

### 2021 Highlights

- Suncor leveraged its refinery product mix, midstream logistics flexibility, strong domestic sales network including integration with its retail network, export capabilities and storage capacity to deliver refinery crude throughput of 415,500 bbls/d in 2021, and industry-leading utilization rates of 89%, compared to 407,000 bbls/d and 88% in the prior year.
- The company's Canadian refineries outperformed the Canadian refining industry average by over 12%[(1)] during the year, despite turnarounds being completed across all of the company's refineries.

(1) Source: Canada Energy Regulator – https://www.cer-rec.gc.ca/en/data-analysis/energy-commodities/crude-oil-petroleum-products/statistics/weekly-crude-run-summary-data/index.html.

- R&M delivered $3.255 billion in adjusted funds from operations[(1)] in 2021, compared to $1.708 billion in the prior year. R&M adjusted operating earnings[(1)] increased to $2.170 billion in 2021, compared to $882 million in the prior year, and R&M net earnings increased to $2.178 billion in 2021, compared to $866 million in the prior year. In 2021, the impact of the FIFO method of inventory valuation, relative to an estimated LIFO[(2)] method, had a positive impact to net earnings, adjusted operating earnings and adjusted funds from operations of $795 million after-tax, compared to a negative after-tax impact of $384 million in 2020.

## Strategy and Investment Update

The R&M business is a key component of Suncor's integrated business model and serves to maximize Suncor's integrated returns by extending the value chain from oil sands production to the end customer, providing the vital link between Suncor's resource base and consumer demand for high-quality refined products. The company's integrated model is supported by the unique advantages of our R&M business, including the key structural advantages of our refineries, our extensive marketing and logistics capabilities and secured market access, enhanced by our marketing and trading expertise.

The company's refineries are equipped with several key structural advantages, including Suncor's feedstock advantage, which enables the company to process a heavy crude slate with a high-quality output, while operating in geographically advantaged markets with consistent access to low cost feedstock. The company aims to achieve consistent operational excellence at its refineries through strong reliability and industry-leading refinery utilizations, allowing the company to provide a reliable supply of products to its secured and competitive sales channels, while also operating at optimal levels of utilization to provide reliable offtake for a portion of the production from the Oil Sands segment. The company's sales channels include the Petro-Canada™ brand, Canada's #1 fuel brand,[(3)] with nearly 1,600 retail sites and over 300 PETRO-PASS™ sites located in key metropolitan areas across Canada.

The R&M business is strengthened by the company's marketing and trading expertise, by optimizing the supply of crude and natural gas liquids feedstock to the company's four refineries, managing crude inventory levels during refinery turnarounds and periods of unplanned maintenance, as well as managing external impacts from pipeline disruptions. The marketing and logistics organization also moves Suncor's refinery production to market and ensures supply to Suncor's branded retail and wholesale marketing channels. The business ensures reliable natural gas supply to Suncor's upstream and downstream operations and generates incremental revenue through trading and asset optimization. Through Suncor's midstream and logistics network, the company secures market access, optimizes price realizations associated with refined products and crude oil supply, manages inventory levels and limits the impacts of external market factors.

The company continues to pursue midstream opportunities to expand the company's market reach, strengthen the company's sales channels and maximize price realizations, including increasing incremental revenue through increased products trading activities and exploring additional pipeline arrangements that provide feedstock optionality to our refineries.

Suncor continues to focus on operational excellence, including maximizing reliability and utilization, while practicing operating cost and capital discipline. In 2022, Suncor expects refinery throughput to return to 2019 levels, positioning the company to capture improving margins and demand, supported by its secured and competitive sales channels. The R&M capital program in 2022 is heavily weighted towards asset sustainment and maintenance activities focused on ongoing sustainment and enhancement to refinery operations, further driving reliable operations. The company plans to make economic investments in expansions of its retail and wholesale network, further supporting the company's connection to its customers and increasing its sales channels.

Suncor remains committed to supporting consumers' transition to a low-emissions future through investments in initiatives designed to provide low-carbon solutions to our customers. Canada's Electric Highway™, the coast-to-coast network of fast-charging electric vehicle stations across Canada, is one way that we are supporting consumers' transition to a low-emissions future.

(1) Non-GAAP financial measures. See the Advisories – Non-GAAP Financial Measures section of this MD&A.
(2) The estimated impact of the LIFO method is a non-GAAP financial measure. See the Advisories – Non-GAAP Financial Measures section of this MD&A.
(3) Based on Kent (a Kalibrate company) survey data for year-end 2020.

## Financial Highlights

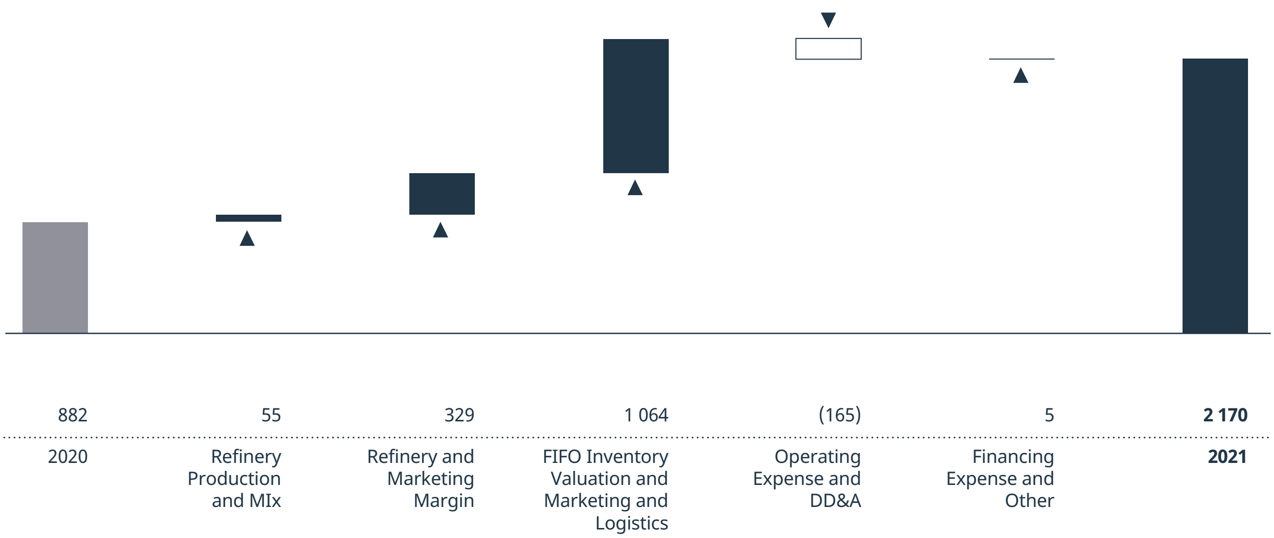
| Year ended December 31 ($ millions) | **2021** | 2020 | 2019 |
|---|---|---|---|
| Operating revenues | **22 915** | 15 272 | 22 304 |
| Net earnings | **2 178** | 866 | 3 000 |
| Adjusted for: | | | |
| Unrealized (gain) loss on risk management activities(1) | **(8)** | 16 | 10 |
| Impact of income tax rate adjustments on deferred taxes(2) | — | — | (88) |
| Adjusted operating earnings(3) | **2 170** | 882 | 2 922 |
| Adjusted funds from operations(3) | **3 255** | 1 708 | 3 863 |

(1) Beginning in 2021, the company revised its calculation of adjusted operating earnings, a non-GAAP financial measure, to exclude unrealized (gains) losses on derivative financial instruments that are recorded at fair value in other income (loss) to better align the earnings impact of the activity with the underlying items being risk-managed. Prior period comparatives have been restated to reflect this change.

(2) In 2019, the company recorded an $88 million deferred income tax recovery in the R&M segment associated with the Government of Alberta's substantive enactment of legislation for the staged reduction of the corporate income tax rate from 12% to 8%.

(3) Non-GAAP financial measures. See the Advisories – Non-GAAP Financial Measures section of this MD&A.

**Bridge Analysis of Adjusted Operating Earnings** ($ millions)(1)(2)




(1) For an explanation of the construction of this bridge analysis, see the Advisories – Non-GAAP Financial Measures section of this MD&A.

(2) Beginning in 2021, the company revised its calculation of adjusted operating earnings, a non-GAAP financial measure, to exclude unrealized (gains) losses on derivative financial instruments that are recorded at fair value in other income (loss) to better align the earnings impact of the activity with the underlying items being risk-managed. Prior period comparatives have been restated to reflect this change.

R&M contributed annual adjusted operating earnings of $2.170 billion in 2021, compared with $882 million in 2020. The increase was primarily due to a significant increase in crude and refined product benchmarks compared to the prior year, which resulted in a FIFO inventory valuation gain compared to a FIFO inventory valuation loss in the prior year, and an increase in refining and marketing margins, partially offset by an increase in operating expenses.

Net earnings in 2021 were $2.178 billion compared to net earnings of $866 million in 2020, and were impacted by the same factors as adjusted operating earnings described above. In addition to the factors impacting adjusted operating earnings, net earnings in 2021 included a $10 million ($8 million after-tax) unrealized gain on risk management activities, compared to a $21 million ($16 million after-tax) loss in the prior year.

R&M achieved an annual adjusted funds from operations of $3.255 billion in 2021, compared to $1.708 billion in 2020, due primarily to the same factors that impacted adjusted operating earnings described above.

**Volumes**

| Year ended December 31 | **2021** | 2020 | 2019 |
|---|---|---|---|
| Crude oil processed (mbbls/d) | | | |
| Eastern North America | **202.8** | 201.0 | 203.3 |
| Western North America | **212.7** | 206.0 | 235.6 |
| Total | **415.5** | 407.0 | 438.9 |
| Refinery utilization(1)(2) (%) | | | |
| Eastern North America | **91** | 91 | 92 |
| Western North America | **87** | 86 | 98 |
| Total | **89** | 88 | 95 |
| Refined product sales (mbbls/d) | | | |
| Gasoline | **225.8** | 214.1 | 246.6 |
| Distillate(3) | **228.5** | 215.7 | 218.1 |
| Other | **74.1** | 73.6 | 74.7 |
| Total | **528.4** | 503.4 | 539.4 |
| Refining and marketing gross margin – FIFO(4)(5) ($/bbl) | **36.85** | 25.30 | 40.45 |
| Refining and marketing gross margin – LIFO(4)(5) ($/bbl) | **30.90** | 28.65 | 36.80 |
| Refining operating expense(5) ($/bbl) | **5.95** | 5.50 | 5.35 |

(1) Refinery utilization is the amount of crude oil and natural gas plant liquids run through crude distillation units, expressed as a percentage of the capacity of these units.

(2) The Edmonton refinery crude processing capacity has increased to 146,000 bbls/d in 2021 from 142,000 bbls/d in 2020.

(3) Beginning in 2020, to better reflect the increasing integration of the company's assets, the company revised the presentation of its refined product sales volumes to include Oil Sands diesel that is purchased and marketed by the Refining and Marketing segment.

(4) Beginning in 2020, refining and marketing gross margins have been revised to better reflect the refining, product supply and rack forward businesses. Prior periods have been restated to reflect this change.

(5) Contains non-GAAP financial measures. See the Advisories – Non-GAAP Financial Measures section of this MD&A.

Refinery crude throughput increased to 415,500 bbls/d and refinery utilization averaged 89% in 2021, compared to refinery crude throughput of 407,000 bbls/d and refinery utilization of 88% in 2020, reflecting strong utilizations across all refineries in 2021, despite the impacts of planned turnaround activities across all of its refineries during the year. The prior year reflected reduced rates as a result of a decrease in consumer demand for transportation fuels due to the impacts of the COVID-19 pandemic.

Total refined product sales increased to 528,400 bbls/d in 2021, compared to 503,400 bbls/d in 2020. Strong utilizations during the year, increased demand and secured sales channels positioned the company to capture the improved business environment.

**Refining and Marketing Gross Margins**[1]

Refining and marketing gross margins were influenced by the following:

- On a LIFO[2] basis, Suncor's refining and marketing gross margin increased to $30.90/bbl in 2021, from $28.65/bbl in the prior year due to improved benchmark crack spreads and the widening of heavy crude oil differentials, partially offset by the impact a stronger Canadian dollar in relation to the U.S. dollar. Suncor's refining and marketing gross margin also reflects Suncor's feedstock advantage, which enables the company to process heavier crude oil, marketing and logistics capabilities and strong sales channels within its integrated retail and wholesale networks.
- On a FIFO basis, Suncor's refining and marketing gross margin increased to $36.85/bbl in 2021, from $25.30/bbl in the prior year due to the same factors noted above, in addition to FIFO inventory valuation impacts. In 2021, the impact of the FIFO method of inventory valuation, relative to an estimated LIFO[2] accounting method, resulted in an after-tax gain of $795 million. In 2020, FIFO resulted in an after-tax loss of $384 million, for an overall favourable year-over-year impact of $1.064 billion after-tax, including the impact of short-term commodity risk management activities.

**Expenses and Other Factors**

R&M operating and transportation expenses increased compared to the prior year. The increase was primarily due to increased natural gas and power prices in the current year, cost reductions in response to the COVID-19 pandemic impacting the prior year, including the relief provided under the CEWS program, a higher share-based compensation expense in the current year as a result of an increase in the company's share price and increased throughput. Refining operating expense per barrel[1] was $5.95 in 2021, compared to $5.50 in the prior year, with the increase primarily due to increased absolute costs, partially offset by higher crude throughput.

DD&A expense in 2021 was comparable to the prior year.

## Planned Maintenance

Planned turnaround maintenance is scheduled for the Edmonton, Montreal and Sarnia refineries in the second quarter of 2022. The anticipated impact of these maintenance events has been reflected in the company's 2022 guidance.

(1) Contains non-GAAP financial measures. See the Advisories – Non-GAAP Financial Measures section of this MD&A.
(2) The estimated impact of the LIFO method is a non-GAAP financial measure. See the Advisories – Non-GAAP Financial Measures section of this MD&A.

# Corporate and Eliminations

## 2021 Highlights

- Suncor exceeded its return to shareholder targets for the year, returning a total of $3.9 billion to shareholders, through $1.6 billion of dividends paid and $2.3 billion in share repurchases, repurchasing the company's common shares at the highest rate in the company's history. In 2021, since the start of the NCIB program in February 2021, the company repurchased approximately 84 million of its common shares at an average price of $27.45 per common share, or the equivalent of 5.5% of Suncor's common shares as at January 31, 2021.
- Demonstrating management's confidence in the company's ability to generate sustainable and increasing cash flows and its commitment to increasing shareholder returns, the company increased its dividend per share by 100% in the fourth quarter, reinstating the quarterly dividend to $0.42 per common share, returning it to 2019 levels.
- In 2021, Suncor accelerated its net debt(1) reduction, reducing debt at the highest ever annual pace, resulting in a reduction of net debt by $3.7 billion to $16.1 billion, returning to 2019 net debt levels.
- In 2021, demonstrating management's confidence in the company's ability to generate cash flows, the company cancelled $2.8 billion in bi-lateral credit facilities that were no longer required, as they were entered into in March and April of 2020 to ensure access to adequate financial resources in connection with the COVID-19 pandemic.
- Subsequent to the end of the year, the company continued to make meaningful progress towards its net debt reduction and shareholder return targets by completing an early redemption of its outstanding US$182 million 4.50% notes, originally scheduled to mature in the second quarter of 2022, and repurchasing an additional 0.5% of its common shares up to February 7, 2022. The company also renewed its NCIB, beginning February 8, 2022, and ending February 7, 2023, for the repurchase of up to approximately 5% of Suncor's issued and outstanding common shares as at January 31, 2022.
- In 2021, company announced its new strategic objective to become a net-zero GHG emissions company by 2050 and to substantially contribute to society's net-zero ambitions. The company set near-term absolute emissions reduction goals to align with its objective to reach net-zero emissions and plans to meet its goals by reducing its base business emissions, investing in low-emissions ventures and technologies and taking actions that reduce others' emissions.
- During 2021, the company increased its investments in clean technology, including an equity investment in Svante Inc., a Canadian carbon capture company that plans to develop technology to capture $CO_2$ from industrial processes at reduced costs, and increased its investment in the Varennes Carbon Recycling facility.

## Strategy and Investment Update

Delivering competitive and sustainable returns to shareholders is a top priority of the company and we aim to maximize shareholder returns by focusing on operational excellence, underpinned by safety above all else, capital discipline through investments in high-value projects and technology, and our commitment to environmental stewardship and sustainability.

Suncor continues to progress its digital transformation and implement new digital technologies across the enterprise to help improve the safety, productivity, reliability and environmental performance of our operations. The company anticipates this will enable operational efficiencies that will provide further structural cost savings. In 2022, the company expects to continue to advance its digital transformation through initiatives such as supply chain optimization initiatives and core business systems aimed at improving operational efficiencies, which are expected to contribute to Suncor's incremental free funds flow targets. The company anticipates that the implementation of digital technologies will improve the safety of our company, facilitate the transition to the workplace of the future, bolster operational excellence and drive additional value.

Returning cash to shareholders and strengthening the balance sheet continues to be a top priority for Suncor; proven by the company's progress in 2021 related to debt reductions, dividend increase and share repurchases. The company will remain disciplined in its plans to reduce debt towards its 2025 targeted net debt range of $12–$15 billion. Looking ahead in 2022, the company plans to allocate its annual free funds flow, after its dividend, evenly between share buybacks and debt reductions. Subsequent to the end of the year, a renewal of the company's NCIB was approved, beginning February 8, 2022, and ending February 7, 2023, for the repurchase of up to approximately 5% of Suncor's issued and outstanding common shares as at January 31, 2022.

In 2021, Suncor announced its new strategic objective to become a net-zero GHG emissions company by 2050 and to substantially contribute to society's net-zero ambitions. To align with this objective, the company has set a near-term goal to reduce annual emissions by 10 megatonnes across its value chain by 2030 to replace its previous goal of reducing its emissions intensity by 30% by 2030. Suncor plans to achieve this by making pragmatic and highly economic investments that are in line with, or synergistic with, our core capabilities, including leveraging our existing expertise in low-carbon power, renewable fuels and expanding into clean hydrogen production. This includes construction of the Forty Mile Wind Power Project, a 200 MW renewable energy power project in southern Alberta, which is expected to generate significant value through sustainable power generation and retention of the generated carbon credits for utilization in Suncor's upstream business. The project is currently under construction and is expected to be completed and operational late in 2022, contributing to the company's incremental free funds flow and emissions reduction goals, while meeting growing customer demand for lower-carbon energy.

(1) Non-GAAP financial measure. See the Advisories – Non-GAAP Financial Measures section of this MD&A.

Investments in new technologies that leverage Suncor's existing core capabilities, and provide new sustainable energy sources, are key to Suncor's expansion of its low-emissions energy business. Strategic equity investments with two biofuel companies that are currently progressing renewable fuel technology projects are examples of how the company is progressing this goal. The first investment, the Varennes Carbon Recycling facility, a biofuel plant in Varennes, Quebec, that is currently under construction, is designed to convert commercial and industrial non-recyclable waste into biofuels and renewable chemicals. In addition, the company also owns an equity investment in LanzaJet, Inc., a company working to bring sustainable aviation fuel and renewable diesel to the commercial market. Fabrication of a commercial biorefinery plant near Soperton, Georgia, is well underway and is expected to be on-stream in late-2022 and will allow Suncor to supply sustainable low-emissions aviation fuel to customers. From a design perspective, both projects are being constructed using a design that is expected to be able to be replicated, enabling quick expansion to capture the sizable growth opportunities projected for renewable liquid fuels should economics be attractive. Suncor believes these investments complement its existing biofuels business and demonstrates Suncor's commitment to being a leader in the global energy expansion.

In 2021, Suncor invested in Svante Inc., a Canadian carbon capture company. With support from Suncor and other companies, Svante Inc. is accelerating the commercial deployment of its technology to capture $CO_2$ from heavy-emitting industries like cement, steel, and oil and gas production at a lower cost than current methods. Carbon capture is a strategic technology area for Suncor to reduce greenhouse gas emissions in Suncor's base business and produce blue hydrogen as an energy product. In addition, Suncor and ATCO Ltd. announced a partnership on a potential world-scale clean hydrogen project to be developed in Alberta, Canada. A sanctioning decision is expected in 2024 and the facility could be operational as early as 2028, provided it has the required regulatory and fiscal support to render it economic. The project would significantly advance Suncor and Alberta's hydrogen strategy, generate substantial economic activity and make a large contribution towards Suncor and society's net-zero ambitions.

## Financial Highlights

| Year ended December 31 ($ millions) | **2021** | 2020 | 2019 |
|---|---|---|---|
| Net loss | **(1 491)** | (557) | (679) |
| Adjusted for: | | | |
| Unrealized foreign exchange gain on U.S. dollar denominated debt | **(101)** | (286) | (590) |
| Restructuring charge | **126** | — | — |
| Loss on early repayment of long-term debt | **60** | — | — |
| Impact of income tax rate adjustments on deferred income taxes(1) | **—** | — | (48) |
| Adjusted operating loss(2) | **(1 406)** | (843) | (1 317) |
| *Corporate and Renewables* | ***(1 262)*** | *(936)* | *(1 113)* |
| *Eliminations – Intersegment profit (eliminated) realized* | ***(144)*** | *93* | *(204)* |
| Adjusted funds used in operations(2) | **(1 322)** | (872) | (1 249) |

(1) In 2019, the company recorded a $48 million deferred income tax recovery associated with the Government of Alberta's substantive enactment of legislation for the staged reduction of the corporate income tax rate from 12% to 8%.

(2) Non-GAAP financial measures. See the Advisories – Non-GAAP Financial Measures section of this MD&A.

### Corporate and Renewables

Corporate incurred an adjusted operating loss of $1.262 billion in 2021, compared with an adjusted operating loss of $936 million in 2020, with the increased adjusted operating loss primarily due to a share-based compensation expense in 2021 versus a share-based compensation recovery in 2020. The adjusted operating loss in 2020 included favourable income tax settlements and relief provided under the CEWS program. Suncor capitalized $144 million of its borrowing costs in 2021, compared to $120 million in 2020, as part of the cost of major development assets and construction projects in progress.

| Year ended December 31 | **2021** | 2020 | 2019 |
|---|---|---|---|
| Renewable Energy power generation marketed (gigawatt hours)(1) | **183** | 200 | 184 |

(1) Power generated includes curtailed production for which the company was compensated.

### Eliminations – Intersegment Profit Realized (Eliminated)

Eliminations reflect the deferral or realization of profit on crude oil sales from Oil Sands to Suncor's refineries. Consolidated profits are only realized when the refined products produced from internal purchases of crude feedstock have been sold to third parties. In 2021, the company deferred $144 million of after-tax intersegment profit, compared to a realization of profit of $93 million in the prior year. The deferral of profit in 2021 was driven by the increase in Oil Sands price realizations in 2021, as lower margin crude refinery feedstock sourced internally from Oil Sands was sold and replaced by higher margin crude inventory, resulting in a deferral of profit at the enterprise level.

Adjusted funds used in operations for the Corporate and Eliminations segment were $1.322 billion in 2021, compared to $872 million in 2020, and were influenced by the same factors that impacted adjusted operating loss, adjusted for the non-cash component of share-based compensation expense.

## Business Environment

| Three months ended (average for the period ended, except as noted) | | Dec 31 2021 | Sept 30 2021 | June 30 2021 | Mar 31 2021 | Dec 31 2020 | Sept 30 2020 | June 30 2020 | Mar 31 2020 |
|---|---|---|---|---|---|---|---|---|---|
| WTI crude oil at Cushing | US$/bbl | **77.15** | **70.55** | **66.05** | **57.80** | 42.65 | 40.95 | 27.85 | 46.10 |
| Dated Brent crude | US$/bbl | **79.70** | **73.45** | **68.85** | **60.85** | 44.20 | 43.00 | 29.20 | 50.15 |
| Dated Brent/Maya FOB price differential | US$/bbl | **8.60** | **7.80** | **6.20** | **4.70** | 3.30 | 3.50 | 2.70 | 15.95 |
| MSW at Edmonton | Cdn$/bbl | **93.25** | **83.75** | **77.25** | **66.55** | 50.25 | 51.30 | 30.20 | 52.00 |
| WCS at Hardisty | US$/bbl | **62.50** | **56.95** | **54.60** | **45.40** | 33.35 | 31.90 | 16.35 | 25.60 |
| Light/heavy crude oil differential for WTI at Cushing less WCS at Hardisty | US$/bbl | **(14.65)** | **(13.60)** | **(11.45)** | **(12.40)** | (9.30) | (9.05) | (11.50) | (20.50) |
| SYN-WTI (differential) premium | US$/bbl | **(1.80)** | **(1.60)** | **0.35** | **(3.50)** | (3.05) | (2.45) | (4.55) | (2.70) |
| Condensate at Edmonton | US$/bbl | **79.10** | **69.20** | **66.40** | **58.00** | 42.55 | 37.55 | 22.20 | 46.20 |
| Natural gas (Alberta spot) at AECO | Cdn$/mcf | **4.70** | **3.60** | **3.10** | **3.15** | 2.65 | 2.25 | 2.00 | 2.05 |
| Alberta Power Pool Price | Cdn$/MWh | **107.30** | **100.35** | **104.50** | **95.45** | 46.15 | 43.85 | 29.90 | 67.05 |
| New York Harbor 2-1-1 crack(1) | US$/bbl | **20.65** | **20.90** | **20.35** | **15.60** | 9.85 | 10.20 | 12.20 | 14.75 |
| Chicago 2-1-1 crack(1) | US$/bbl | **16.90** | **20.45** | **20.25** | **13.40** | 7.95 | 7.75 | 6.75 | 9.75 |
| Portland 2-1-1 crack(1) | US$/bbl | **25.35** | **26.70** | **24.55** | **15.80** | 13.15 | 12.55 | 12.20 | 18.30 |
| Gulf Coast 2-1-1 crack(1) | US$/bbl | **19.65** | **19.55** | **18.25** | **14.45** | 9.00 | 8.55 | 9.00 | 13.00 |
| U.S. Renewable Volume Obligation | US$/bbl | **6.10** | **7.33** | **8.13** | **5.50** | 3.48 | 2.64 | 2.21 | 1.58 |
| Exchange rate | US$/Cdn$ | **0.79** | **0.79** | **0.81** | **0.79** | 0.77 | 0.75 | 0.72 | 0.74 |
| Exchange rate (end of period) | US$/Cdn$ | **0.79** | **0.78** | **0.81** | **0.80** | 0.78 | 0.75 | 0.73 | 0.71 |

(1) 2-1-1 crack spreads are indicators of the refining margin generated by converting two barrels of WTI into one barrel of gasoline and one barrel of diesel. The crack spreads presented here generally approximate the regions into which the company sells refined products through retail and wholesale channels.

**Significant or Unusual Items Impacting Net Earnings (Loss)**

Trends in Suncor's quarterly revenue, net earnings (loss) and adjusted funds from operations are driven primarily by production volumes, which can be significantly impacted by major maintenance events, changes in commodity prices and crude price differentials, refining crack spreads and foreign exchange rates as described in the Financial Information section of this MD&A. Trends in Suncor's quarterly net earnings (loss) and adjusted funds from operations are also affected by other significant events impacting operations, such as the COVID-19 pandemic beginning in the first quarter of 2020, operational incidents and the Government of Alberta's mandatory production curtailments that were implemented during 2019 and suspended effective December 2020.

In addition to the impacts of changes in production volumes and business environment, net earnings (loss) over the last eight quarters were affected by the following events or significant adjustments:

- During the fourth quarter of 2021, the company recorded a gain of $227 million ($227 million after-tax) on the sale of the company's interest in the Golden Eagle Area Development, in the E&P segment.
- During the third quarter of 2021, the company recorded a non-cash impairment reversal of $221 million ($168 million after-tax) against its share of the Terra Nova assets, in the E&P segment, as a result of the ALE Project moving forward and the benefit of royalty and financial support from the Government of Newfoundland and Labrador.
- During the third quarter of 2021, the company recorded a loss of $80 million ($60 million after-tax) for early repayment of long-term debt in financing expenses in the Corporate and Eliminations segment.
- During the first quarter of 2021, the company recorded a restructuring charge of $168 million ($126 million after-tax) related to workforce reductions in operating, selling and general expenses in the Corporate and Eliminations segment.
- During the fourth quarter of 2020, the company recorded non-cash impairment charges of $559 million ($423 million after-tax) against its share of the White Rose assets, in the E&P segment, as a result of the high degree of uncertainty surrounding the future of the West White Rose Project.
- During the fourth quarter of 2020, the company recorded a provision to transportation expense for $186 million ($142 million after-tax) related to the Keystone XL pipeline project in the Oil Sands segment.
- During the first quarter of 2020, the company recorded non-cash impairment charges of $1.821 billion ($1.376 billion after-tax) on its share of the Fort Hills assets, in the Oil Sands segment, and $560 million ($422 million after-tax) against its share of the White Rose

# 7. Capital Investment Update

## Capital and Exploration Expenditures by Segment

| Year ended December 31 ($ millions) | **2021** | 2020 | 2019 |
|---|---|---|---|
| Oil Sands | **3 168** | 2 736 | 3 522 |
| Exploration and Production | **270** | 489 | 1 070 |
| Refining and Marketing | **825** | 515 | 818 |
| Corporate and Eliminations | **292** | 186 | 148 |
| Total capital and exploration expenditures | **4 555** | 3 926 | 5 558 |
| Less: capitalized interest on debt | **(144)** | (120) | (122) |
| | **4 411** | 3 806 | 5 436 |

## Capital and Exploration Expenditures by Type, Excluding Capitalized Interest

| Year ended December 31, 2021 ($ millions) | Asset Sustainment and Maintenance[1] | Economic Investment[2] | Total |
|---|---|---|---|
| Oil Sands | | | |
| *Oil Sands Base* | *1 216* | *420* | ***1 636*** |
| *In Situ* | *132* | *298* | ***430*** |
| *Fort Hills* | *253* | *—* | ***253*** |
| *Syncrude* | *652* | *97* | ***749*** |
| Exploration and Production | — | 242 | **242** |
| Refining and Marketing | 751 | 73 | **824** |
| Corporate and Eliminations | 53 | 224 | **277** |
| | 3 057 | 1 354 | **4 411** |

(1) Asset sustainment and maintenance capital expenditures include capital investments that deliver on existing value by ensuring compliance or maintaining relations with regulators and other stakeholders, maintaining current processing capacity, and delivering existing developed reserves.

(2) Economic investment capital expenditures include capital investments that result in an increase in value through adding reserves, improving processing capacity, utilization, cost or margin, including associated infrastructure.

In 2021, Suncor's capital expenditures on property, plant and equipment and exploration activities totalled $4.411 billion, excluding capitalized borrowing costs of $144 million, of which 30% was directed towards economic investment activities and 70% towards asset sustainment and maintenance activities, meeting its planned capital spending program guidance for the year.

The company's 2021 capital expenditures were focused on the safety and reliability of the company's operations, heavily weighted towards asset sustainment and maintenance activities through the largest annual maintenance program in the company's history, which included significant planned turnaround activities across all of its refineries, at Oil Sands operations, including a significant planned turnaround at Oil Sands Base plant Upgrader 2, and a planned turnaround at Syncrude's largest coker. In 2020, due to the impacts of the COVID-19 pandemic, the company deferred, suspended and cancelled certain capital projects or changed the scope of work to reduce costs and to comply with COVID-19 safety measures.

Activity in 2021 included the following:

**Oil Sands Base**

Oil Sands Base asset sustainment and maintenance capital expenditures were $1.216 billion in 2021 and were primarily focused on ensuring continued safe, reliable and efficient operations. The company's planned maintenance program in 2021 included coker annual planned maintenance in the spring and the significant five-year planned turnaround at Upgrader 2 in the fall.

Oil Sands Base economic capital of $420 million in 2021 was primarily focused on progressing the investment in low-carbon power generation by replacing its coke-fired boilers with a new cogeneration facility.

**In Situ**

In Situ capital expenditures were $430 million in 2021, of which $298 million was directed towards economic investment activities, which focused on the ongoing design and construction of well pads to develop additional reserves that are expected to maintain existing production levels at Firebag and MacKay River in future years as production from existing well pads declines. Asset sustainment and maintenance capital expenditures of $132 million were primarily directed towards the company's planned maintenance program, including planned maintenance at Firebag.

**Fort Hills**

Fort Hills capital expenditures were $253 million in 2021, all directed towards asset sustainment and capital expenditures related to mine and tailings development to support ongoing operations.

**Syncrude**

Syncrude capital expenditures were $749 million in 2021, the majority of which was directed toward asset sustainment and maintenance capital expenditures that focused on improving asset reliability and included the planned turnaround at Syncrude's largest coker.

**Exploration and Production**

E&P capital and exploration expenditures were $242 million in 2021, and were focused on economic investment projects, including development drilling at Hebron, and development work at Buzzard Phase 2, the Fenja project and Terra Nova related to the ALE Project. The Terra Nova Floating, Production, Storage and Offloading facility is dry-docked in Spain undergoing maintenance work and is expected to sail back to Canada and return to operations before the end of 2022.

**Refining and Marketing**

R&M capital expenditures were $824 million in 2021, and were primarily related to the ongoing sustainment of, and enhancement to, refinery and retail operations. This included planned turnaround activities across all of the company's refineries during the year.

**Corporate**

Corporate capital expenditures were $277 million in 2021, primarily directed towards economic investment projects related to the company's information technology and other corporate initiatives, and the Forty Mile Wind Power Project.

Suncor anticipates 2022 capital expenditures to be directed to the following projects and initiatives:

**Oil Sands operations**

For 2022, plans for economic investment include capital to progress low-carbon power generation to replace the coke-fired boilers at Oil Sands Base, which is expected to be in-service between 2024 and 2025. Additional investment to maintain production capacity at existing facilities includes the continued development of reserves by building new well pads at In Situ.

Asset sustainment and maintenance capital expenditures for 2022 include spend on tailings management and the significant planned turnaround at Firebag, planned maintenance at Upgrader 1 and planned coker annual maintenance at Upgrader 2.

**Fort Hills**

Asset sustainment and maintenance capital expenditures for 2022 will focus on ongoing development of mining and tailings management projects to preserve production capacity.

**Syncrude**

For 2022, plans for economic investment will include capital to progress the Mildred Lake Extension-West mining project. Sustaining capital expenditures for 2022 will focus on planned maintenance and reliability programs aimed at maintaining production capacity, which includes planned maintenance in tailings and a major planned turnaround.

**Exploration and Production**

Capital expenditures for 2022 are expected to include economic investments at Terra Nova, Hebron, Hibernia, Fenja, Oda, Buzzard and the Rosebank future development project.

**Refining and Marketing**

The company expects that sustaining capital will focus on ongoing sustainment and enhancement to refinery and retail operations, including planned maintenance activities across the company's refineries. Economic investment projects will be primarily focused on the company's retail and wholesale network.

**Corporate**

For 2022, the company plans to continue to make economic investments in digital technology initiatives and the Forty Mile Wind Power Project in southern Alberta, which is planned for completion in late 2022.

# 8. Financial Condition and Liquidity

## Liquidity and Capital Resources

| At December 31 ($ millions, except as noted) | 2021 | 2020 | 2019 |
|---|---|---|---|
| Cash flow provided by (used in) | | | |
| Operating activities | **11 764** | 2 675 | 10 421 |
| Investing activities | **(3 977)** | (4 524) | (5 088) |
| Financing activities | **(7 464)** | 1 786 | (5 537) |
| Foreign exchange loss on cash and cash equivalents | **(3)** | (12) | (57) |
| Increase (decrease) in cash and cash equivalents | **320** | (75) | (261) |
| Cash and cash equivalents, end of year | **2 205** | 1 885 | 1 960 |
| Return on Capital Employed (%)(1)(2) | **8.6** | (6.9) | 4.9 |
| Net debt to adjusted funds from operations(1) (times) | **1.6** | 5.1 | 1.5 |
| Total debt to total debt plus shareholders' equity(1) (%) | **33.4** | 37.8 | 29.9 |
| Net debt to net debt plus shareholders' equity(1)(3) (%) | **30.6** | 35.7 | 27.6 |
| Net debt to net debt plus shareholders' equity – excluding leases(1)(3) (%) | **26.6** | 32.1 | 23.7 |

(1) Non-GAAP financial measures or contains non-GAAP financial measures. See the Advisories – Non-GAAP Financial Measures section of this MD&A.

(2) ROCE would have been 8.2% for the twelve months ended December 31, 2021, excluding the impact of the impairment reversal of $221 million ($168 million after-tax) in the third quarter of 2021. ROCE would have been (2.9%) for the twelve months ended December 31, 2020, excluding the impact of impairments of $559 million ($423 million after-tax) in the fourth quarter of 2020 and $1.821 billion ($1.376 billion after-tax) and $560 million ($422 million after-tax) in the first quarter of 2020. ROCE would have been 10.0% for the twelve months ended December 31, 2019, excluding the impact of impairments of $3.716 billion ($2.803 billion after-tax) and $521 million ($393 million after-tax) in the fourth quarter of 2019.

(3) Beginning in the first quarter of 2021, the company has added two supplemental debt metrics that reflect additional information that management uses to evaluate capital management.

**Cash Flow Provided by Operating Activities**

Cash flow provided by operating activities was $11.764 billion in 2021 compared to $2.675 billion in 2020. The increase was primarily due to higher crude oil and refined product realizations reflecting the improved business environment and higher crude production and refinery crude throughput. These factors were partially offset by an increase in royalties, primarily associated with higher crude price realizations, and increased operating expenses. The prior year was negatively impacted by the significant decline in transportation fuel demand, partially offset by cost reductions in response to the COVID-19 pandemic, including the relief provided under the CEWS program.

The current period cash flow provided by operating activities reflects a source of cash in working capital, primarily due to a net increase in taxes payable related to the company's 2021 income tax expense, which is payable in early 2022, and an increase in accounts payable and accrued liabilities, partially offset by an increase in accounts receivable related to an increase in crude oil price realizations during the year. The prior period cash flow provided by operating activities reflects a use of cash in working capital.

**Cash Flow Used in Investing Activities**

Cash flow used in investing activities was $3.977 billion in 2021 compared to $4.524 billion in 2020. The decrease was primarily due to a decrease in investing working capital related to the timing of payments and proceeds from the sale of the company's interest in the Golden Eagle Area Development. This was partially offset by increased capital expenditures in the current year related to the largest annual maintenance program in the company's history. In 2020, the company reduced, deferred or cancelled certain capital projects in response to the COVID-19 pandemic.

**Cash Flow (Used in) Provided by Financing Activities**

Cash flow used in financing activities was $7.464 billion in 2021, compared to cash flow provided by financing activities of $1.786 billion in 2020. Cash flow used in financing activities in 2021 was primarily related to the decrease in short-term debt and net long-term debt and increased share repurchases.

## Capital Resources

Suncor's capital resources consist primarily of cash flow provided by operating activities, cash and cash equivalents and available credit facilities, including commercial paper. Suncor's management believes the company will have sufficient capital resources to fund its planned 2022 capital spending program of $4.7 billion and to meet current and future working capital requirements through cash and cash equivalents balances, cash flow provided by operating activities, available committed credit facilities, issuing commercial paper, if needed, and accessing capital markets. The company's cash flow provided by operating activities depends on a number of factors, including commodity prices, production and sales volumes, refining and marketing margins, operating expenses, taxes, royalties, foreign exchange rates and demand for transportation fuels.

The company has invested excess cash in short-term financial instruments that are presented as cash and cash equivalents. The objectives of the company's short-term investment portfolio are to ensure the preservation of capital, maintain adequate liquidity to meet Suncor's cash flow requirements and deliver competitive returns derived from the quality and diversification of investments within acceptable risk parameters. The maximum weighted average term to maturity of the short-term investment portfolio is not expected to exceed six months, and all investments will be with counterparties with investment grade debt ratings.

## Available Sources of Liquidity

### Cash and Cash Equivalents

Included in cash and cash equivalents of $2.205 billion at December 31, 2021, are short-term investments with weighted average days to maturity of approximately 20 days. In 2021, the company earned approximately $1 million of interest income on these investments.

### Financing Activities

Suncor's interest on debt and lease liabilities (before capitalized interest) in 2021 was $995 million, a decrease from $1.050 billion in 2020, due to a significant decrease in short-term debt during the year and the net reduction of long-term debt that occurred over the course of 2021.

Available lines of credit at December 31, 2021, decreased to $4.247 billion compared to $6.043 billion at December 31, 2020. The decrease in liquidity was primarily due to the cancellation of $2.8 billion in bi-lateral credit facilities that were no longer required as they were entered into in March and April of 2020 to ensure access to adequate financial resources in connection with the COVID-19 pandemic, and a reduction in the size of the company's syndicated credit facilities. The decrease was partially offset by increased credit availability as a result of a lower commercial paper balance. As of December 31, 2021, Suncor had approximately $6.5 billion of liquidity.

A summary of total and unutilized credit facilities at December 31, 2021, is as follows:

| ($ millions) | 2021 |
|---|---|
| Fully revolving and expires in 2025 | 3 000 |
| Fully revolving and expires in 2024 | 2 531 |
| Can be terminated at any time at the option of the lenders | 1 420 |
| Total credit facilities | 6 951 |
| Credit facilities supporting outstanding commercial paper | (1 284) |
| Credit facilities supporting standby letters of credit | (1 147) |
| Total unutilized credit facilities[1] | 4 520 |

(1) Available credit facilities for liquidity purposes were $4.247 billion at December 31, 2021 (December 31, 2020 – $6.043 billion).

### Total Debt to Total Debt Plus Shareholders' Equity

Suncor is subject to financial and operating covenants related to its bank debt and public market debt. Failure to meet the terms of one or more of these covenants may constitute an Event of Default as defined in the respective debt agreements, potentially resulting in accelerated repayment of one or more of the debt obligations. The company is in compliance with its financial covenant that requires total debt to not exceed 65% of its total debt plus shareholders' equity. At December 31, 2021, total debt to total debt plus shareholders' equity was 33.4% (December 31, 2020 – 37.8%), a decrease from the prior year due to lower debt levels and higher shareholders' equity as a result of increased net earnings. The company is currently in compliance with all operating covenants as at December 31, 2021.

### Change in Net Debt[1]

| ($ millions) | |
|---|---|
| Total debt[1] – December 31, 2020 | 21 699 |
| Net decrease in long-term debt | (1 028) |
| Net decrease in short-term debt | (2 256) |
| Increase in lease liability | 308 |
| Lease payments | (325) |
| Foreign exchange on debt, and other | (44) |
| Total debt[1] – December 31, 2021 | 18 354 |
| Less: Cash and cash equivalents – December 31, 2021 | 2 205 |
| Net debt[1] – December 31, 2021 | 16 149 |

(1) Non-GAAP financial measures. See the Advisories – Non-GAAP Financial Measures section of this MD&A.

At December 31, 2021, Suncor's net debt was $16.149 billion, compared to $19.814 billion at December 31, 2020. During 2021, net debt decreased by $3.665 billion, primarily due to a net decrease in short-term and long-term debt, lease principal payments made in 2021 and an increase in cash and cash equivalents relative to the prior year, partially offset by additional leases entered into in 2021.

For the year ended December 31, 2021, the company's net debt to adjusted funds from operations measure was 1.6 times, which is lower than management's maximum target of less than 3.0 times.

Subsequent to the end of the year, the company completed an early redemption of its outstanding US$182 million 4.50% notes, originally scheduled to mature in the second quarter of 2022.

## Credit Ratings

The company's credit ratings impact its cost of funds and liquidity. In particular, the company's ability to access unsecured funding markets and to engage in certain activities on a cost-effective basis is primarily dependent upon maintaining a strong credit rating. A lowering of the company's credit rating may also have potentially adverse consequences for the company's funding capacity or access to the capital markets, may affect the company's ability, and the cost, to enter into normal course derivative or hedging transactions, and may require the company to post additional collateral under certain contracts.

As at February 23, 2022, the company's long-term senior debt ratings are:

| Long-Term Senior Debt | Rating | Long-Term Outlook |
|---|---|---|
| Standard & Poor's | BBB+ | Negative |
| Dominion Bond Rating Service | A (low) | Stable |
| Moody's Investors Service | Baa1 | Stable |

As at February 23, 2022, the company's commercial paper ratings are:

| Commercial Paper | Cdn Program Rating | U.S. Program Rating |
|---|---|---|
| Standard & Poor's | A-1 (low) | A-2 |
| Dominion Bond Rating Service | R-1 (low) | Not rated |
| Moody's Investors Service | Not rated | P2 |

Refer to the Description of Capital Structure – Credit Ratings section of Suncor's 2021 AIF for a description of credit ratings listed above.

## Common Shares

### Outstanding Shares

| (thousands) | December 31, 2021 |
|---|---|
| Common shares | **1 441 251** |
| Common share options – exercisable | **28 421** |
| Common share options – non-exercisable | **8 669** |

As at February 23, 2022, the total number of common shares outstanding was 1,431,430,756 and the total number of exercisable and non-exercisable common share options outstanding was 32,937,645. Once exercisable, each outstanding common share option may be exercised for one common share.

### Share Repurchases

In the first quarter of 2021, the TSX accepted a notice filed by Suncor to commence an NCIB to repurchase common shares through the facilities of the TSX, NYSE and/or alternative trading systems. The notice provided that, beginning February 8, 2021, and ending February 7, 2022, Suncor may purchase for cancellation up to 44,000,000 common shares, which is equal to approximately 2.9% of Suncor's 1,525,150,794 issued and outstanding common shares as at January 31, 2021.

During the third quarter of 2021, and following the Board's approval to increase the company's share repurchase program to up to approximately 5% of the company's outstanding common shares, Suncor received approval from the TSX to amend its existing NCIB effective as of the close of markets on July 30, 2021, to repurchase common shares through the facilities of the TSX, NYSE and/or alternative trading systems. The amended notice provided that Suncor may increase the maximum number of common shares that may be repurchased in the period beginning February 8, 2021, and ending February 7, 2022, from 44,000,000 common shares, or approximately 2.9% of Suncor's issued and outstanding common shares as at January 31, 2021, to 76,250,000 common shares, or approximately 5% of Suncor's issued and outstanding common shares as at January 31, 2021.

During the fourth quarter of 2021, and following the Board's approval to increase the company's share repurchase program to up to approximately 7% of the company's public float, Suncor received approval from the TSX to amend its existing NCIB effective as of the close of markets on October 29, 2021, to purchase common shares through the facilities of the TSX, NYSE and/or alternative trading systems. The notice provided that Suncor may increase the maximum number of common shares that may be repurchased in the period beginning February 8, 2021, and ending February 7, 2022, from 76,250,000 shares, or approximately 5% of Suncor's issued and outstanding common shares as at January 31, 2021, to 106,700,000, or approximately 7% of Suncor's public float as at January 31, 2021.

Subsequent to the fourth quarter of 2021, and following the Board's approval to renew the company's share repurchase program to repurchase up to approximately 5% of the company's common shares, the TSX accepted a notice filed by Suncor to renew its NCIB to purchase the company's common shares through the facilities of the TSX, NYSE and/or alternative trading systems. The notice provides that, beginning February 8, 2022, and ending February 7, 2023, Suncor may purchase for cancellation up to 71,650,000 common shares, which is equal to approximately 5% of Suncor's issued and outstanding common shares as at the date thereof. As at January 31, 2022, Suncor had 1,435,748,494 common shares issued and outstanding.

Pursuant to Suncor's previous NCIB, as amended on October 29, 2021, Suncor agreed that it would not purchase more than 106,700,000 common shares between February 8, 2021, and February 7, 2022. Between February 8, 2021, and February 7, 2022, and pursuant to Suncor's previous NCIB (as amended), Suncor repurchased 91,046,656 common shares on the open market for approximately $2.554 billion, at a weighted average price of $28.06 per share.

Between February 8, 2022, and February 23, 2022, and pursuant to Suncor's current NCIB (as renewed), Suncor repurchased 3,224,200 shares on the open market for approximately $120 million, at a weighted average price of $37.21 per share.

The actual number of common shares that may be repurchased under the NCIB and the timing of any such purchases will be determined by Suncor. Suncor believes that, depending on the trading price of its common shares and other relevant factors, repurchasing its common shares represents an attractive investment opportunity and is in the best interests of the company and its shareholders. The company does not expect that the decision to allocate cash to repurchase shares will affect its long-term strategy.

| At December 31 ($ millions, except as noted) | 2021 | 2020 | 2019 |
|---|---|---|---|
| Share repurchase activities (thousands of common shares) | | | |
| Shares repurchased | **83 959** | 7 527 | 55 298 |
| Share repurchase cost | **2 304** | 307 | 2 274 |
| Weighted average repurchase price per share (dollars per share) | **27.45** | 40.83 | 41.12 |

## Contractual Obligations, Commitments, Guarantees and Off-Balance Sheet Arrangements

In addition to the enforceable and legally binding obligations in the table below, Suncor has other obligations for goods and services that were entered into in the normal course of business, which may terminate on short notice, including commitments for the purchase of commodities for which an active, highly liquid market exists, and which are expected to be re-sold shortly after purchase.

The company does not believe it has any guarantees or off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on the company's financial condition or financial performance, including liquidity and capital resources.

In the normal course of business, the company is obligated to make future payments, including contractual obligations and non-cancellable commitments.

| | Payment due by period | | | | | | |
|---|---|---|---|---|---|---|---|
| ($ millions) | 2022 | 2023 | 2024 | 2025 | 2026 | Thereafter | Total |
| Long-term debt(1) | 969 | 1 295 | 720 | 1 403 | 1 724 | 18 836 | **24 947** |
| Decommissioning and restoration costs(2) | 305 | 354 | 407 | 401 | 348 | 12 012 | **13 827** |
| Long-term contracts, pipeline capacity and energy services commitments(3) | 1 957 | 1 555 | 1 470 | 1 323 | 1 263 | 8 228 | **15 796** |
| Exploration work commitments(3) | — | 20 | — | 64 | 1 | 454 | **539** |
| Lease obligations(4) | 459 | 407 | 372 | 342 | 318 | 2 633 | **4 531** |
| Other long-term obligations(5) | 4 | 18 | 18 | 18 | 18 | — | **76** |
| Total | **3 694** | **3 649** | **2 987** | **3 551** | **3 672** | **42 163** | **59 716** |

(1) Includes long-term debt and interest payments on long-term debt. Refer to note 21 and note 27 of Suncor's 2021 audited Consolidated Financial Statements.

(2) Represents the undiscounted and uninflated amount of decommissioning and restoration costs. Refer to note 24 of Suncor's 2021 audited Consolidated Financial Statements.

(3) Refer to note 32 of Suncor's 2021 audited Consolidated Financial Statements.

(4) Refer to note 21 and note 27 of Suncor's 2021 audited Consolidated Financial Statements.

(5) Includes Libya EPSA signature bonus and merger consent. Please refer to note 22 of Suncor's 2021 audited Consolidated Financial Statements.

## Transactions with Related Parties

The company enters into transactions with related parties in the normal course of business. These transactions primarily include sales to associated entities in the company's R&M segment. For more information on these transactions and for a summary of Compensation of Key Management Personnel, refer to note 31 of the 2021 audited Consolidated Financial Statements.

## Financial Instruments

The company uses derivative financial instruments, such as physical and financial contracts, to manage certain exposures to fluctuations in interest rates, commodity prices and foreign currency exchange rates as part of its overall risk management program, as well as for trading purposes. For the year ended December 31, 2021, the pre-tax earnings impact of risk management and trading activities was $155 million (2020 – pre-tax earnings of $175 million).

Gains or losses related to derivatives are recorded as Other Income in the Consolidated Statements of Comprehensive Income.

| ($ millions) | **2021** | 2020 |
|---|---|---|
| Fair value outstanding, beginning of year | **(121)** | (39) |
| Cash settlements – paid (received) during the year | **178** | (257) |
| Changes in fair value recognized in earnings during the year | **(155)** | 175 |
| **Fair value outstanding, end of year** | **(98)** | (121) |

The fair value of derivative financial instruments is recorded on the Consolidated Balance Sheets.

| Fair value of derivative contracts at December 31 ($ millions) | **2021** | 2020 |
|---|---|---|
| Accounts receivable | **123** | 153 |
| Accounts payable | **(221)** | (274) |
| | **(98)** | (121) |

**Risks Associated with Derivative Financial Instruments**

Suncor may be exposed to certain losses in the event that counterparties to derivative financial instruments are unable to fulfil their obligations under these contracts. The company minimizes this risk by entering into agreements with investment grade counterparties. Risk is also minimized through regular management review of the potential exposure to and credit ratings of such counterparties. Suncor's exposure is limited to those counterparties holding derivative contracts with net positive fair values at a reporting date.

Suncor's risk management activities are subject to periodic reviews by management to determine appropriate hedging requirements based on the company's tolerance for exposure to market volatility, as well as the need for stable cash flow to finance future growth. Commodity risk management and trading activities are governed by a separate risk management group that reviews and monitors practices and policies and provides independent verification and valuation of these activities.

For further details on our derivative financial instruments, including assumptions made in the calculation of fair value, a sensitivity analysis of the effect of changes in commodity prices on our derivative financial instruments, and additional discussion of exposure to risks and mitigation activities, refer to note 27 of the company's 2021 audited Consolidated Financial Statements.

# 9. Accounting Policies and Critical Accounting Estimates

Suncor's significant accounting policies are described in note 3 of the audited Consolidated Financial Statements for the year ended December 31, 2021.

## Recently Announced Accounting Pronouncements

The standards, amendments and interpretations that are issued, but not yet effective up to the date of authorization of the company's consolidated financial statements, and that may have an impact on the disclosures and financial position of the company are disclosed below. The company intends to adopt these standards, amendments and interpretations when they become effective.

## Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

In May 2021, the IASB issued *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)*. The amendments narrowed the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences. The amendments are effective January 1, 2023, with early adoption permitted. The company does not anticipate any significant impact from these amendments on the consolidated financial statements as a result of the initial application.

## Definition of Accounting Estimates

In February 2021, the IASB issued *Definition of Accounting Estimates (Amendments to IAS 8).* The amendments introduced a definition of accounting estimates and included other amendments to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective January 1, 2023, with early adoption permitted. The company does not anticipate any significant impact from these amendments on the consolidated financial statements as a result of the initial application.

## Significant Accounting Estimates and Judgments

The preparation of financial statements in accordance with IFRS requires management to make estimates and judgments that affect reported assets, liabilities, revenues, expenses, gains, losses and disclosures of contingencies. These estimates and judgments are subject to change based on experience and new information.

## COVID-19

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a Public Health Emergency of International Concern and, on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. These measures have and may continue to have significant disruption to business operations and a significant increase in economic uncertainty, with fluctuating demand for commodities leading to volatile prices and currency exchange rates, and a decline in long-term interest rates. Our operations and business are particularly sensitive to a reduction in the demand for, and prices of, commodities that are closely linked to Suncor's financial performance, including crude oil, refined petroleum products (such as jet fuel and gasoline), natural gas and electricity. The potential direct and indirect impacts of the economic volatility have been considered in management's estimates, and assumptions at period-end have been reflected in our results with any significant changes described in the relevant financial statement note.

The COVID-19 pandemic is an evolving situation that is expected to continue to have widespread implications for our business environment, operations and financial condition. Management cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact our consolidated statements of comprehensive income (loss), consolidated balance sheets and consolidated statements of cash flows.

## Climate Change

Climate change and the transition to a lower-carbon economy from carbon-based sources to alternative energy were considered in preparing the consolidated financial statements. These may have significant impacts on the currently reported amounts of the company's assets and liabilities discussed below and on similar assets and liabilities that may be recognized in the future.

The financial statement areas that require significant estimates and judgments are as follows:

#### Oil and Gas Reserves

The company's estimate of oil and gas reserves is considered in the measurement of depletion, depreciation, impairment, and decommissioning and restoration obligations. The estimation of reserves is an inherently complex process and involves the exercise of professional judgment. All reserves have been evaluated at December 31, 2021, by independent qualified reserves evaluators. Oil and gas reserves estimates are based on a range of geological, technical and economic factors, including projected future rates of production, projected future commodity prices, engineering data, and the timing and amount of future expenditures, all of which are subject to uncertainty. Estimates reflect market and regulatory conditions existing at December 31, 2021, which could differ significantly from other points in time throughout the year, or future periods. Changes in market and regulatory conditions and assumptions, as well as climate change, and the evolving worldwide demand for energy and global advancement of alternative sources of energy that are not sourced from fossil fuels can materially impact the estimation of net reserves. The timing in which global energy markets transition from carbon-based sources to alternative energy is highly uncertain.

### Oil and Gas Activities

The company is required to apply judgment when designating the nature of oil and gas activities as exploration, evaluation, development or production, and when determining whether the costs of these activities shall be expensed or capitalized.

### Exploration and Evaluation Costs

Certain exploration and evaluation costs are initially capitalized with the intent to establish commercially viable reserves. The company is required to make judgments about future events and circumstances and applies estimates to assess the economic viability of extracting the underlying resources. The costs are subject to technical, commercial and management review to confirm the continued intent to develop the project. Level of drilling success or changes to project economics, resource quantities, expected production techniques, production costs and required capital expenditures are important judgments when making this determination. Management uses judgment to determine when these costs are reclassified to Property, Plant and Equipment based on several factors, including the existence of reserves, appropriate approvals from regulatory bodies, joint arrangement partners and the company's internal project approval process.

### Determination of Cash Generating Units (CGUs)

A CGU is the lowest grouping of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The allocation of assets into CGUs requires significant judgment and interpretations with respect to the integration between assets, the existence of active markets, similar exposure to market risks, shared infrastructure, and the way in which management monitors the operations.

### Asset Impairment and Reversals

Management applies judgment in assessing the existence of impairment and impairment reversal indicators based on various internal and external factors.

The recoverable amount of CGUs and individual assets is determined based on the higher of fair value less costs of disposal or value-in-use calculations. The key estimates the company applies in determining the recoverable amount normally include estimated future commodity prices, discount rates, expected production volumes, future operating and development costs, income taxes, and refining margins. In determining the recoverable amount, management may also be required to make judgments regarding the likelihood of occurrence of a future event. Changes to these estimates and judgments will affect the recoverable amounts of CGUs and individual assets and may then require a material adjustment to their related carrying value. In addition, climate change, and the evolving worldwide demand for energy and global advancement of alternative sources of energy that are not sourced from fossil fuels could result in a change in assumptions used in determining the recoverable amount and could affect the carrying value and useful life of the related assets. The timing in which global energy markets transition from carbon-based sources to alternative energy is highly uncertain.

### Decommissioning and Restoration Costs

The company recognizes liabilities for the future decommissioning and restoration of Exploration and Evaluation assets and Property, Plant and Equipment based on estimated future decommissioning and restoration costs. Management applies judgment in assessing the existence and extent as well as the expected method of reclamation of the company's decommissioning and restoration obligations at the end of each reporting period. Management also uses judgment to determine whether the nature of the activities performed is related to decommissioning and restoration activities or normal operating activities.

Actual costs are uncertain and estimates may vary as a result of changes to relevant laws and regulations related to the use of certain technologies, the emergence of new technology, operating experience, prices and closure plans. The estimated timing of future decommissioning and restoration may change due to certain factors, including reserves life. Changes to estimates related to future expected costs, discount rates, inflation assumptions, and timing may have a material impact on the amounts presented. In addition, climate change, and the evolving worldwide demand for energy and global advancement of alternative sources of energy that are not sourced from fossil fuels could result in a change in assumptions used in determining the carrying value of the liabilities. The timing in which global energy markets transition from carbon-based sources to alternative energy is highly uncertain.

### Employee Future Benefits

The company provides benefits to employees, including pensions and other post-retirement benefits. The cost of defined benefit pension plans and other post-retirement benefits received by employees is estimated based on actuarial valuation methods that require professional judgment. Estimates typically used in determining these amounts include, as applicable, rates of employee turnover, future claim costs, discount rates, future salary and benefit levels, the return on plan assets, mortality rates and future medical costs. Changes to these estimates may have a material impact on the amounts presented.

### Other Provisions

The determination of other provisions, including, but not limited to, provisions for royalty disputes, onerous contracts, litigation and constructive obligations, is a complex process that involves judgment about the outcomes of future events, the interpretation of laws and regulations, and estimates on the timing and amount of expected future cash flows and discount rates.

### Income Taxes

Management evaluates tax positions, annually or when circumstances require, which involves judgment and could be subject to differing interpretations of applicable tax legislation. The company recognizes a tax provision when a payment to tax authorities is considered probable. However, the results of audits and reassessments and changes in the interpretations of standards may result in changes to those positions and, potentially, a material increase or decrease in the company's assets, liabilities and net earnings.

Deferred tax assets are recognized when it is considered probable that deductible temporary differences will be recovered in the foreseeable future. To the extent that future taxable income and the application of existing tax laws in each jurisdiction differ significantly from the company's estimate, the ability of the company to realize the deferred tax assets could be impacted.

Deferred tax liabilities are recognized when there are taxable temporary differences that will reverse and result in a future outflow of funds to a taxation authority. The company records a provision for the amount that is expected to be settled, which requires judgment as to the ultimate outcome. Deferred tax liabilities could be impacted by changes in the company's judgment of the likelihood of a future outflow and estimates of the expected settlement amount, timing of reversals, and the tax laws in the jurisdictions in which the company operates.

# 10. Risk Factors

Suncor is committed to a proactive program of enterprise risk management intended to enable decision-making through consistent identification and assessment of risks inherent to its assets, activities and operations. Some of these risks are common to operations in the oil and gas industry as a whole, while some are unique to Suncor. The realization of any of the following risks could have a material adverse effect on Suncor's business, financial condition, reserves and results of operations.

## Volatility of Commodity Prices

Suncor's financial performance is closely linked to prices for crude oil in the company's upstream business and prices for refined petroleum products in the company's downstream business and, to a lesser extent, to natural gas and electricity prices in the company's upstream business where natural gas and electricity are both inputs and outputs of production processes. The prices for all of these commodities can be influenced by global and regional supply and demand factors, which are factors that are beyond the company's control and can result in a high degree of price volatility.

Crude oil prices are also affected by, among other things, global economic health (particularly in emerging markets), market access constraints, regional and international supply and demand imbalances, political developments and government action, decisions by OPEC+ regarding quotas on its members, compliance or non-compliance with quotas agreed upon by OPEC+ members and other countries, and weather. Many of the factors that can cause volatility have been, and may continue to be, affected by the impacts of the COVID-19 pandemic. These factors impact the various types of crude oil and refined products differently and can impact differentials between light and heavy grades of crude oil (including blended bitumen), and between conventional oil and SCO.

Refined petroleum product prices and refining margins are also affected by, among other things, crude oil prices, the availability of crude oil and other feedstock, levels of refined product inventories, regional refinery availability, market access, marketplace competitiveness, regulatory compliance costs and other local market factors. Natural gas prices in North America are affected by, among other things, supply and demand, inventory levels, weather and prices for alternative energy sources. Decreases in product margins or increases in natural gas prices could have a material adverse effect on Suncor's business, financial condition, reserves and results of operations.

In addition, oil and natural gas producers in North America, and particularly in Canada, may receive discounted prices for their production relative to certain international prices, due in part to constraints on the ability to transport and sell such products to international markets. A failure to resolve such constraints may result in continued discounted or reduced commodity prices realized by oil and natural gas producers such as Suncor. Suncor's production from Oil Sands includes significant quantities of bitumen and SCO that may trade at a discount to light and medium crude oil. Bitumen and SCO are typically more expensive to produce and process. In addition, the market prices for these products may differ from the established market indices for light and medium grades of crude oil. As a result, the price received for bitumen and SCO may differ from the benchmark they are priced against.

Wide differentials or a prolonged period of low and/or volatile commodity prices, particularly for crude oil, could have a material adverse effect on Suncor's business, financial condition, reserves and results of operations, and may also lead to the impairment of assets, or to the cancellation or deferral of Suncor's growth projects.

Commodity prices could be materially and adversely affected by the outbreak of epidemics, pandemics and other public health crises in geographic areas in which Suncor has operations, suppliers, customers or employees, including the COVID-19 pandemic and the ongoing uncertainty as to the extent and duration of the pandemic, as well as uncertainty surrounding new variations or mutations of the COVID-19 virus. Actions that have and may be taken by governmental authorities in response to the ongoing COVID-19 pandemic have resulted, and may continue to result in, among other things, increased volatility in commodity prices. In particular, the COVID-19 pandemic has resulted in, and may continue to result in, a reduction in the demand for, and prices of, commodities that are closely linked to Suncor's financial performance, including crude oil, refined petroleum products (such as jet fuel and gasoline), natural gas and electricity, and also increases the risk that storage for crude oil and refined petroleum products could reach capacity in certain geographic locations in which we operate. While vaccines are being distributed, there is uncertainty as to the timing, level of adoption, duration of efficacy and effectiveness of vaccines against current or future variants or mutations. This continues the risk and uncertainty as to the extent and duration of the COVID-19 pandemic and the resultant impact on commodity demand and prices. A prolonged period of decreased demand for, and prices of, these commodities, and any applicable storage constraints, could also result in us voluntarily curtailing or shutting in production and a decrease in our refined product volumes and refinery utilization rates. Additionally, commodity prices could remain under pressure for a prolonged period. This could result in reduced utilization and/or the suspension of operations at certain of our facilities, buyers of our products declaring force majeure or bankruptcy, the unavailability of storage, and disruptions of pipeline and other transportation systems for our products, which would further negatively impact Suncor's production or refined product volumes, and could have a material adverse effect on Suncor's business, financial condition, reserves and results of operations.

## Carbon Risk

Public support for climate change action and receptivity to alternative or renewable energy technologies has grown in recent years. Governments in Canada and around the world have responded to these shifting societal attitudes by adopting ambitious emissions reduction targets and supporting legislation, including measures relating to carbon pricing, clean energy and fuel standards, and alternative energy incentives and mandates. There has also been increased activism and public opposition to fossil fuels, and oil sands in particular.

Existing and future laws and regulations in support of a transition to low-carbon energy and climate change action may impose significant constraints on fossil fuel development. Concerns over climate change, fossil fuel extraction, GHG emissions, and water and land-use practices could lead governments to enact additional or more stringent laws and regulations applicable to Suncor and other companies in the energy industry in general, and in the oil sands industry in particular. These risks to the oil sands industry can be offset over time through the commercialization and implementation of low-carbon technologies (e.g., carbon capture, utilization and sequestration) and by increasing growth in low-carbon energies such as hydrogen, renewable fuels and power.

Changes to environmental regulations, including regulations relating to climate change, could impact the demand for the company's products or could require increased capital expenditures, operating expenses, abandonment and reclamation obligations, and distribution costs. These potential added costs may not be recoverable in the marketplace and may result in some current operations or growth projects becoming less profitable or uneconomic. Such regulatory changes could require Suncor to invest further into the development of technologies or other energy products. Such technology development or growth projects could require a significant investment of capital and resources, and any delay in or failure to identify, develop and deploy such technologies or obtain regulatory approvals for these technology projects could prevent Suncor from being able to successfully compete with other companies. More stringent GHG emissions regulations in the jurisdictions in which Suncor operates may also make it difficult for Suncor to compete with companies operating in other jurisdictions with less costly regulations. In addition, legislation or policies that limit the purchase of production from the oil sands may be adopted in domestic and/or foreign jurisdictions, which, in turn, may limit the world market for Suncor's upstream production and reduce the prices the company receives for its petroleum products, and could result in delayed development, stranded assets or the company being unable to further develop its hydrocarbon resources. The complexity, breadth and velocity of changes in GHG emissions regulations make it difficult to predict the potential impact to Suncor.

Suncor continues to monitor international and domestic efforts to address climate change. While GHG regulations and targets will continue to become more stringent, and while Suncor continues its efforts to reduce its GHG emissions, the absolute operational GHG emissions of the company may rise as a result of growth, mergers and acquisition activities, and changes in the operatorship of assets by Suncor or affiliates, which is particularly relevant in 2021 given that Suncor assumed operatorship of Syncrude in 2021. Increases in GHG emissions may impact the profitability of the company's projects, as Suncor will be subject to incremental levies and taxes. There is also a risk that Suncor could face litigation initiated by third parties relating to climate change, including litigation pertaining to GHG emissions, the production, sale, or promotion of fossil fuels and petroleum products, and/or disclosure. For example, the Board of County Commissioners of Boulder County, the Board of County Commissioners of San Miguel County and the City of Boulder, all of Colorado, have brought an action against Suncor and certain of its subsidiaries seeking, among other things, compensation for impacts they allege with respect to climate change. In addition, the mechanics of implementation and enforcement of the Alberta Oil Sands Emissions Limit Act (OSELA) and the federal government's stated intention to cap and reduce emissions from the oil and gas sector by setting five-year targets to achieve net zero by 2050 are currently under review and it is not yet possible to predict the impact on Suncor. However, such impact could be material.

These developments and future developments could adversely impact the demand for Suncor's products, the ability of Suncor to maintain and grow its production and reserves, and Suncor's reputation, and could have a material adverse effect on Suncor's business, financial condition, reserves and results of operations.

## Greenhouse Gas Emissions and Targets

Among other sustainability goals, Suncor has set a strategic objective of net-zero emissions by 2050 and a target to reduce GHG emissions through our value chain by 10 megatonnes by 2030. Our ability to deliver GHG emissions reductions is subject to numerous risks and uncertainties, and our actions taken in implementing these objectives may also expose us to certain additional and/or heightened financial and operational risks.

A reduction in GHG emissions relies on, among other things, our ability to implement and improve energy efficiency at all of our facilities, future development and growth opportunities, development and deployment of new technologies, ability to sequester and capture carbon, investment in low-carbon power and hydrogen, as well as a transition to low-carbon fuels. In the event that we are unable to implement these strategies and technologies as planned without negatively impacting our expected operations or business plans, or in the event that such strategies or technologies do not perform as expected, we may be unable to meet our GHG targets on the current timelines, or at all.

In addition, achieving our GHG emissions reduction targets could require significant capital expenditures and resources, with the potential that the costs required to achieve our target and goals materially differ from our original estimates and expectations, and these differences may be material. In addition, while the intent is to improve efficiency and increase the offering of low-carbon energy, the shift in resources and focus towards emissions reduction could have a negative impact on our operating results. The overall final cost of investing in and implementing an emissions reduction strategy and technologies in furtherance of such strategy, and the resultant change in the deployment of our resources and focus, could have a material adverse effect on Suncor's business, financial condition, reserves and results of operations.

## Environmental Compliance

### Tailings Management and Water Release

Each oil sands mine is required under the Alberta Energy Regulator's Tailings Directive to seek approval for its updated fluid tailings management plans. If a mine fails to meet a condition of its approved plan, the applicable company could be subject to enforcement actions, including being required to curtail production, and financial consequences, including being subject to a compliance levy or being required to post additional security under the Mine Financial Security Program (MFSP). The full impact of the Tailings Management Framework (TMF), the Tailings Directive and updates to the dam regulations, including the financial consequences of exceeding compliance levels, is not yet fully known, as certain associated policy updates and regulation updates are still under development. Such updates could also restrict the technologies that the company may employ for tailings management and reclamation, which could adversely impact the company's business plans. There could also be risks if the company's tailings management operations fail to operate as anticipated. The occurrence of any of the foregoing could have a material adverse effect on Suncor's business, financial condition, reserves and results of operations.

The five-year review for the TMF is planned for 2022, which will have the potential to significantly impact progress on fluid tailings management and water release, as well as all associated aspects of TMF implementation, such as pit lakes, closure and reclamation, and the MFSP. The Alberta government has also been working to update the provincial water release policy tools and the updates are expected to be completed in 2023. In addition, work being done to develop the Federal Oil Sands Mind Effluent Regulation (OSMER) is ongoing with Environment and Climate Change Canada. If implemented, OSMER is expected to assist companies with returning water to the Athabasca River.

The review of the TMF may result in changes to the TMF that are adverse to Suncor. In addition, there can be no assurances that the provincial water release policy tools or OSMER will be updated or implemented, as the case may be, in accordance with expected timelines, if at all, or that if updated or implemented, they will permit Suncor to release water to the environment as required to support successful closure and reclamation.

In order to support successful closure and reclamation, Suncor supports an integrated water management approach for effective operations, successful reclamation and closure, and positive environmental outcomes. The inability to release sufficient water to the environment continues to result in an increase to both water quality concerns and water containment concerns at Suncor mine sites, which impacts current operations and reclamation and closure planning. Suncor believes that an integrated water management approach to support operations and successful reclamation and closure requires the release of treated oil sands mine water to the environment. The absence of an effective regulatory framework in this area could impact operations and the success and timing of closure and reclamation plans, which could have a material adverse effect on Suncor's business, financial condition, reserves and results of operations.

### Alberta's Land-Use Framework

The implementation of, and compliance with, the terms of the Alberta's Land-Use Framework through the Lower Athabasca Regional Plan (LARP) may adversely impact Suncor's current properties and projects in northern Alberta due to, among other things, environmental limits and thresholds. The impact of the LARP on Suncor's operations may be outside of the control of the company, as Suncor's operations could be impacted as a result of restrictions imposed due to the cumulative impact of development by the other operators in the area and not solely in relation to Suncor's direct impact. The uncertainty of changes in Suncor's future development and existing operations required as a result of the LARP, and/or any updates or changes to the LARP, could have a material adverse effect on Suncor's business, financial condition, reserves and results of operations.

### Alberta Environment and Parks Water Licences

Suncor currently relies on water obtained under licences from Alberta Environment and Parks to provide domestic and utility water for the company's Oil Sands business. Water licences, like all regulatory approvals, contain conditions to be met in order to maintain compliance with the licence. There can be no assurance that the licences to withdraw water will not be rescinded or that additional conditions will not be added. It is also possible that regional water management approaches may require water-sharing agreements between stakeholders. In addition, any changes or expansions of the company's projects may rely on securing licences for additional water withdrawal, and there can be no assurance that these licences will be granted in a timely manner or that they will be granted on terms favourable to Suncor. There is also a risk that future laws or changes to existing laws or regulations relating to water access could cause capital expenditures and operating expenses relating to water licence compliance to increase. The occurrence of any of the foregoing could have a material adverse effect on Suncor's business, financial condition, reserves and results of operations.

### Commerce City Refinery Water Permit

The Commerce City refinery's water discharge permit is currently subject to a renewal process. New and additional proposed requirements, including those related to per- and polyfluoroalkyl substances, could have a material adverse effect on Suncor's business, financial condition and results of operations.

**Biodiversity**

Species at risk exist in the areas where Suncor owns and operates its leases. For example, woodland caribou have been identified as "threatened" under the *Species at Risk Act* (Canada). In response to the Government of Canada's Recovery Strategy for Woodland Caribou, provincial caribou range plans are being developed through sub-regional planning. Suncor has existing, planned and potential future projects within caribou ranges in Alberta. The development and implementation of sub-regional plans in these areas may have an impact on the pace and amount of development in these areas and could potentially increase costs due to restoration or offsetting requirements, which could have a material adverse effect on Suncor's business, financial condition, reserves and results of operations.

Pursuant to the Alberta Wetland Policy, development in wetland areas may be obligated to avoid wetlands or mitigate the development's effects on wetlands. Certain Suncor operations and growth projects will be affected by aspects of the policy where avoidance is not possible and wetland reclamation or replacement may be required, which could have a material adverse effect on Suncor's business, financial condition, reserves and results of operations.

**Air and Water Quality Management**

A number of Canadian federal, provincial and U.S. federal and state air and water quality regulations and frameworks are in place currently and being developed, changed and/or implemented, which could have an impact on the company's existing operations and planned projects including by, among other things, requiring the company to invest additional capital or incur additional operating and compliance expenses, including, among other things, potentially requiring the company to retrofit equipment to meet new requirements and increase monitoring and mitigation plans. The full impact of these regulations and frameworks is not yet known; however, they could have a material adverse effect on Suncor's business, financial condition, reserves and results of operations.

## Market Access

The markets for bitumen blends or heavy crude oil are more limited than those for light crude oil, making them more susceptible to supply and demand changes and imbalances (whether as a result of the availability, proximity, and capacity of pipeline facilities, railcars or otherwise). Heavy crude oil generally receives lower market prices than light crude oil, due principally to the lower quality and value of the refined product yield and the higher cost to transport the more viscous product on pipelines, and this price differential can be amplified due to supply and demand imbalances.

Market access for Suncor's oil sands production may be constrained by insufficient pipeline takeaway capacity, including the lack of new pipelines due to an inability to secure required approvals and negative public perception. In order to secure future market access, financial commitments could be made for projects that do not proceed. There is a risk that constrained market access for oil sands production, growing inland production and refinery outages could create widening differentials that could impact the profitability of product sales. Market access for refined products may also be constrained by insufficient takeaway capacity, which could create a supply/demand imbalance. The occurrence of any of the foregoing could have a material adverse effect on the company's business, financial condition, reserves and results of operations.

## Major Operational Incidents (Safety, Environmental and Reliability)

Each of Suncor's primary operating businesses – Oil Sands, E&P and Refining and Marketing – requires significant levels of investment in the design, operation, maintenance and decommissioning of facilities, and carries the additional economic risk associated with operating reliably or enduring a protracted operational outage. The breadth and level of integration of Suncor's operations adds complexity.

The company's businesses also carry the risks associated with poor or substandard environmental and safety performance, which is closely scrutinized by governments, the public and the media, and could result in a suspension of or inability to obtain regulatory approvals and permits, or, in the case of a major environmental or safety incident, delays in resuming normal operations, fines, civil suits or criminal charges against the company.

In general, Suncor's operations are subject to operational hazards and risks such as, among others, fires (including forest fires), explosions, blow-outs, power outages, prolonged periods of extreme cold or extreme heat, severe winter climate conditions, flooding, droughts and other extreme weather conditions, railcar incidents or derailments, the migration of harmful substances such as, among others, oil spills, gaseous leaks or a release of deleterious substances, loss of tailings dam integrity, pollution and other environmental risks, and accidents, any of which can interrupt operations or cause personal injury or death, or damage to property, equipment (including information technology and related data and controls systems), and the environment.

The reliable operation of production and processing facilities at planned levels and Suncor's ability to produce higher-value products can also be impacted by, among other things, failure to follow the company's policies, standards and operating procedures or operate within established operating parameters, equipment failure through inadequate maintenance, unanticipated erosion or corrosion of facilities, manufacturing and engineering flaws, and labour shortage or interruption. The company is also subject to operational risks such as sabotage, terrorism, trespass, theft and malicious software, network or cyberattacks.

In addition to the foregoing factors that affect Suncor's business generally, each business unit is susceptible to additional risks due to the nature of its business, including, among others, the following:

- Suncor's Oil Sands business is susceptible to loss of production, slowdowns, shutdowns or restrictions on its ability to produce higher-value products, due to the failure of any one or more interdependent component systems, and other risks inherent to oil sands operations;

- For Suncor's E&P businesses, there are risks and uncertainties associated with drilling for oil and natural gas, the operation and development of such properties and wells (including encountering unexpected formations, pressures or the presence of hydrogen sulphide), premature declines of reservoirs, sour gas releases, uncontrollable flows of crude oil, natural gas or well fluids and other accidents;
- Suncor's E&P offshore operations occur in areas subject to hurricanes and other extreme weather conditions, such as winter storms, pack ice, icebergs and fog. The occurrence of any of these events could result in production shut-ins, the suspension of drilling operations, damage to or destruction of the equipment involved and injury or death of rig personnel. Harsh weather conditions, particularly in the winter season, may also impact the successful execution of maintenance and startup of operations. Suncor's E&P offshore operations could be indirectly affected by catastrophic events occurring at other third-party offshore operations, which could give rise to liability, damage to the company's equipment, harm to individuals, force a shutdown of facilities or operations, or result in a shortage of appropriate equipment or specialists required to perform planned operations; and
- Suncor's Refining and Marketing operations are subject to all of the risks normally inherent in the operation of refineries, terminals, pipelines and other distribution facilities and service stations, including, among others, loss of production, slowdowns or shutdowns due to equipment failures, unavailability of feedstock, price and quality of feedstock, or other incidents.

Suncor is also subject to risks relating to the health and safety of our people, as well as the potential for a slowdown or temporary suspension of our operations in locations impacted by an outbreak such as the COVID-19 pandemic. Such a suspension in operations could also be mandated by governmental authorities in response to the COVID-19 pandemic. This could negatively impact Suncor's production or refined product volumes and refinery utilization rates for a sustained period of time, all of which could have a material adverse effect on Suncor's business, financial condition and results of operations.

Although the company maintains a risk management program, which includes an insurance component, such insurance may not provide comprehensive coverage in all circumstances, nor are all such risks insurable. The company self-insures some risks, and the company's insurance coverage does not cover all the costs arising out of the allocation of liabilities and risk of loss arising from Suncor operations.

The occurrence of any of the foregoing could have a material adverse effect on Suncor's business, financial condition, reserves and results of operations.

## Government/Regulatory Policy

Suncor's businesses operate under federal, provincial, territorial, state and municipal laws in numerous countries. The company is also subject to regulation and intervention by governments in oil and gas industry matters, such as, among others, land tenure, royalties, taxes (including income taxes), government fees, production rates (including restrictions on production such as the mandatory production curtailments imposed by the Government of Alberta in 2019 and 2020), environmental protection, water, wildlife, fish, air quality, safety performance, the reduction of GHG and other emissions, the export of crude oil, natural gas and other products, interactions with foreign governments, the awarding or acquisition of exploration and production rights, oil sands leases or other interests, the imposition of specific drilling obligations, control over the development, reclamation and abandonment of fields and mine sites, mine financial security requirements, approval of logistics infrastructure, and possibly expropriation or cancellation of contract rights. As part of ongoing operations, the company is also required to comply with a large number of environmental, health and safety regulations under a variety of Canadian, U.S., U.K., Norwegian and other foreign, federal, provincial, territorial, state and municipal laws and regulations. Failure to comply with applicable laws and regulations may result in, among other things, the imposition of fines and penalties, production constraints, a compulsory shutdown of facilities or suspension of operations (temporarily or permanently), reputational damage, delays, increased costs, denial of operating and growth permit applications, censure, liability for cleanup costs and damages, and the loss of important licences and permits.

Before proceeding with certain projects, including changes to existing operations, Suncor must obtain various federal, provincial, territorial, state and municipal permits and regulatory approvals, and must also obtain licences to operate certain assets. These processes can involve, among other things, Indigenous and stakeholder consultation, government intervention, environmental impact assessments and public hearings and may be subject to conditions, including security deposit obligations and other commitments. Compliance can also be affected by the loss of skilled staff, inadequate internal processes and compliance auditing.

Failure to obtain, comply with, satisfy the conditions of or maintain regulatory permits, licences and approvals, or failure to obtain them on a timely basis or on satisfactory terms, could result in prosecution, fines, delays, abandonment or restructuring of projects, impacts to production, reputational damage and increased costs, all of which could have a material adverse effect on Suncor's business, financial condition, reserves and results of operations. Suncor's businesses can also be indirectly impacted by a third party's inability to obtain regulatory approval for a shared infrastructure project or a third-party infrastructure project on which a portion of Suncor's business depends.

Changes in government policy, regulation or other laws, or the interpretation thereof, or the revocation of existing approvals or permits by the government or opposition to

Suncor's projects or third-party pipeline and infrastructure projects that delays or prevents necessary permits or regulatory approvals, or which makes current operations or growth projects less profitable or uneconomic could materially impact Suncor's operations, existing and planned projects, financial condition, reserves and results of operations.

## Digital and Cybersecurity

The efficient operation of Suncor's business is dependent on computer hardware, software and networked systems, including the systems of cloud providers and third parties with which Suncor conducts business. Digital transformation continues to increase the number of, and complexity of, such systems. In the ordinary course of Suncor's business, Suncor collects and stores sensitive data, including intellectual property, proprietary business information and personal information of the company's employees and retail customers. Suncor's operations are also dependent upon a large and complex information framework. Suncor relies on industry-accepted security measures, controls and technology to protect Suncor's information systems and securely maintain confidential and proprietary information stored on the company's information systems, and has adopted a continuous process to identify, assess and manage threats to the company's information systems. While Suncor has an information and cybersecurity program in place, the measures, controls and technology on which the company relies may not be adequate due to the increasing volume, sophistication and rapidly evolving nature of cyber threats. Suncor's information technology and infrastructure, including process control systems, may be vulnerable to attacks by malicious persons or entities motivated by, among others, geopolitical, financial or activist reasons, or breached due to employee error, malfeasance or other disruptions, including natural disasters and acts of war. Although the company maintains a risk management program, which includes an insurance component that may provide coverage for the operational impacts from an attack to, or breach of, Suncor's information technology and infrastructure, including process control systems, the company does not maintain stand-alone cyber insurance. Furthermore, not all cyber risks are insurable. As a result, Suncor's existing insurance may not provide adequate coverage for losses stemming from a cyberattack to, or breach of, its information technology and infrastructure.

Any such attack or breach could compromise Suncor's networks, and the information Suncor stores could be accessed, publicly disclosed, lost, stolen or compromised. Any such attack, breach, access, disclosure or loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, disruptions to Suncor's operations, decreased performance and production, increased costs, damage to Suncor's reputation, physical harm to people or the environment or other negative consequences to Suncor or third parties, which could have a material adverse effect on Suncor's business, financial condition and results of operations.

## Security and Terrorist Threats

Security threats and terrorist or activist activities may impact Suncor's personnel, which could result in injury, death, extortion, hostage situations and/or kidnapping, including unlawful confinement. A security threat, terrorist attack or activist incident targeted at a facility or office owned or operated by Suncor could result in the interruption or cessation of key elements of Suncor's operations and may result in property damage. Outcomes of such incidents could have a material adverse effect on Suncor's business, financial condition, reserves and results of operations.

## Competition

The global petroleum industry is highly competitive in many aspects, including the exploration for and the development of new sources of supply, the acquisition of crude oil and natural gas interests, and the refining, distribution and marketing of refined petroleum products. Suncor competes in virtually every aspect of its business with other energy companies. The petroleum industry also competes with other industries in supplying energy, fuel and related products to consumers. The increasing volatility of the political and social landscape at provincial, federal, territorial, state, municipal and international levels adds complexity.

For Suncor's Oil Sands and E&P businesses, it is difficult to assess the number, level of production and ultimate timing of all potential new projects or when existing production levels may increase. Although current commodity pricing and increased regulatory requirements have slowed certain larger projects in the short term, an increase in the level of activity may have an impact on regional infrastructure, including pipelines, and could place stress on the availability and cost of all resources required to build and run new and existing oil sands operations.

For Suncor's Refining and Marketing business, management expects that fluctuations in demand for refined products, margin volatility and overall marketplace competitiveness will continue. In addition, to the extent that the company's downstream business unit participates in new product markets, it could be exposed to margin risk and volatility from either cost and/or selling price fluctuations.

There is a risk that increased competition could cause costs to increase, put further strain on existing infrastructure and cause margins for refined and unrefined products to be volatile, and impact demand for Suncor's products, which could have a material adverse effect on Suncor's business, financial condition and results of operations.

## Portfolio Development and Execution

There are certain risks associated with the development and execution of Suncor's complex and integrated portfolio of projects and the commissioning and integration of new facilities within its existing asset base.

Portfolio development and execution risk consists of four related primary risks:

- Development – a failure to select the right projects and identify effective scope and solution;
- Engineering – a failure in the specification, design or technology selection;
- Construction – a failure to build the project in the approved time, in accordance with design, and at the agreed cost; and
- Commissioning and startup – a failure of the facility to meet agreed performance targets, including operating costs, efficiency, yield and maintenance costs.

Portfolio development and execution can also be impacted by, among other things, the effect of changing government regulations and public expectations in relation to the impact of oil sands development on the environment, which could significantly impact the company's ability to obtain the necessary environmental and other regulatory approvals; the complexity and diversity of Suncor's portfolio, including joint venture assets; the accuracy of project cost and schedule estimates; the availability and cost of materials, equipment, qualified personnel and logistics infrastructure; maintaining adequate quality management and risks associated with logistics and offshore fabrication, including the cost of materials, and equipment fabricated offshore may be impacted by tariffs, duties and quotas; complexities and risks associated with constructing projects within operating environments and confined construction areas; the commissioning and integration of new facilities within the company's existing asset base could cause delays in achieving guidance, targets and objectives; risks relating to restarting projects placed in safe mode, including increased capital costs; and the impact of weather conditions.

The occurrence of any of the foregoing could have a material adverse effect on Suncor's business, financial condition, reserves and results of operations.

## Technology Risk

There are risks associated with sustainability, growth and capital projects that rely largely or partly on new technologies and the incorporation of such technologies into new or existing operations, including that the results of the application of new technologies may differ from simulated, test or pilot environments, or that third-party intellectual property protections may impede the development and implementation of new technology. The success of projects incorporating new technologies cannot be assured. Advantages accrue to companies that can develop and adopt emerging technologies in advance of competitors. The inability to develop, implement and monitor new technologies may impact the company's ability to develop its new or existing operations in a profitable manner or comply with regulatory requirements, which could have a material adverse effect on Suncor's business, financial condition, reserves and results of operations.

## Cumulative Impact and Pace of Change

To achieve its business objectives, Suncor must operate efficiently, reliably and safely, and, at the same time, deliver growth and sustaining projects safely, on budget and on schedule. The ability to achieve these two sets of objectives is critically important for Suncor to deliver value to shareholders and stakeholders. These ambitious business objectives compete for resources, and it may negatively impact the company should there be inadequate consideration of the cumulative impacts of prior and parallel initiatives on people, processes and systems. There is a risk that measures undertaken to achieve these objectives may exceed Suncor's capacity to adopt and implement change. The occurrence of any of the foregoing could have a material adverse effect on Suncor's business, financial condition, reserves and results of operations.

## Skills, Resource Shortage and Reliance on Key Personnel

The successful operation of Suncor's businesses will depend upon the availability of, and competition for skilled labour and materials supply. There is a risk that the company may have difficulty sourcing and retaining the skilled labour in certain talent segments for current and future operations. Although Suncor has maintained a healthy overall attrition rate over the last decade, Suncor sees acute supply-demand gap potential in some critical talent segments. The labour market is also in flux, which combined with the challenges recruiting to our industry and post-pandemic trend of burnout and employees reassessing their careers, increases the potential risk in attrition and the need for targeted talent remains a risk to be managed. The increasing age of the company's existing workforce, and changing skillset requirements as technology continues to evolve, add further pressure. The availability of competent and skilled contractors for current and future operations is also a risk depending on market conditions. Materials may also be in short supply due to smaller labour forces in many manufacturing operations or due to supply chain disruptions related to the COVID-19 pandemic. Suncor's ability to operate safely and effectively and complete all projects on time and on budget has the potential to be significantly impacted by these risks and this impact could be material.

The company's success also depends in large measure on certain key personnel. The loss of the services of such key personnel could have a material adverse effect on Suncor's business, financial condition, reserves and results of operations. The contributions of the existing management team to the immediate and near-term operations of the company are likely to continue to be of central importance for the foreseeable future.

## Labour Relations

Hourly employees at Suncor's oil sands facilities (excluding MacKay River and Fort Hills), all of the company's refineries and the majority of the company's terminal and distribution operations and certain of the company's E&P operations are represented by labour unions or employee associations.

Approximately 25% of the company's employees were covered by collective agreements at the end of 2021. Negotiations for four collective agreements will take place in 2022. Any work interruptions involving the company's employees (including as a result of a strike, lockout or pandemic), contract trades utilized in the company's projects or operations, or any jointly owned facilities operated by another entity present a significant risk to the company and could have a material adverse effect on Suncor's business, financial condition and results of operations.

## Joint Arrangement Risk

Suncor has entered into joint arrangements and other contractual arrangements with third parties, including arrangements where other entities operate assets in which Suncor has ownership or other interests and arrangements where Suncor operates assets in which other entities have ownership or other interests. These joint arrangements include, among others, those with respect to Syncrude, Fort Hills, In Situ assets, and operations in Suncor's E&P Canada and E&P International businesses. The success and timing of activities relating to assets and projects operated by others, or developed jointly with others, depend upon a number of factors that are outside of Suncor's control, including, among others, the timing and amount of capital expenditures; the timing and amount of operational and maintenance expenditures; the operator's expertise, financial resources and risk management practices; the approval of other participants; and the selection of technology.

These co-owners may have objectives and interests that do not coincide with and may conflict with Suncor's interests. Major capital and operating expenditure decisions affecting joint arrangements may require agreement among the co-owners, while certain operational decisions may be made solely at the discretion of the operator of the applicable assets. While joint venture counterparties may generally seek consensus with respect to major decisions concerning the direction and operation of the assets and the development of projects, no assurance can be provided that the future demands or expectations of the parties relating to such assets and projects will be met satisfactorily or in a timely manner. Failure to satisfactorily meet demands or expectations by all of the parties may affect the company's participation in the operation of such assets or in the development of such projects, the company's ability to obtain or maintain necessary licences or approvals, or the timing for undertaking various activities. In addition, disputes may arise pertaining to the timing, scope, funding and/or capital commitments with respect to projects that are being jointly developed.

The occurrence of any of the foregoing could have a material adverse effect on Suncor's business, financial condition, reserves and results of operations.

## Financial Risks

### Access to Capital

Suncor expects that future capital expenditures will be financed out of cash and cash equivalents balances, cash flow provided by operating activities, available committed credit facilities, issuing commercial paper and, if needed, accessing capital markets. This ability is dependent on, among other factors, commodity prices, the overall state of the capital markets, and financial institutions and investor appetite for investments in the energy industry generally, and the company's securities in particular. Investors and stakeholders increasingly compare companies based on climate-related performance. Failure to achieve the company's net-zero and GHG emissions reduction targets and goals, or a perception among financial institutions and investors that such targets and goals are insufficient, could adversely affect the company's reputation and ability to attract capital. The company's ability to access capital may also be adversely affected in the event that financial institutions, investors, rating agencies and/or lenders adopt more restrictive decarbonization policies. The COVID-19 pandemic had a significant impact on global capital markets and the availability of liquidity. While access to capital has returned to pre-pandemic levels, the disruption and volatility in global capital markets may re-occur. To the extent that external sources of capital become limited or unavailable or available on unfavourable terms, the ability to make capital investments and maintain existing properties may be constrained.

If the company finances capital expenditures in whole or in part with debt, that may increase its debt levels above industry standards for oil and gas companies of similar size. Depending on future development and growth plans, additional debt financing may be required that may not be available or, if available, may not be available on favourable terms, including higher interest rates and fees. Neither the Articles of Suncor nor its bylaws limit the amount of indebtedness that may be incurred; however, Suncor is subject to covenants in its existing credit facilities and seeks to avoid an unfavourable cost of debt. The level of the company's indebtedness, and the level of indebtedness relative to the company's ability to generate cash flow, from time to time, could impair its ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise and could negatively affect its credit ratings.

Suncor is required to comply with financial and operating covenants under existing credit facilities and debt securities. Covenants are reviewed based on actual and forecast results and the company has the ability to make changes to its development plans, capital structure and/or dividend policy to comply with covenants under the credit facilities. If Suncor does not comply with the applicable covenants under its credit facilities and debt securities, there is a risk that repayment could be accelerated and/or the company's access to capital could be restricted or only be available on unfavourable terms.

Rating agencies regularly evaluate the company, including its subsidiaries. Their ratings of Suncor's long-term and short-term debt are based on a number of factors, including the company's financial strength, as well as factors not entirely within its control, including conditions affecting the oil and gas industry generally, and the wider state of the economy. Credit ratings may be important to customers or counterparties when Suncor competes in certain markets and when it seeks to engage in certain transactions, including some commodity sales or purchase transactions or those involving over-the-counter derivatives. There is a risk that one or more of Suncor's credit ratings could be downgraded, which could potentially limit its access to private and public credit markets and increase the company's cost of borrowing.

The occurrence of any of the foregoing could have a material adverse effect on Suncor's business, financial condition, reserves and results of operations.

**Energy Trading and Risk Management Activities and the Exposure to Counterparties**

The nature of Suncor's energy trading and risk management activities, which may make use of derivative financial instruments to manage its exposure to commodity price and other market risks, creates exposure to financial risks, which include, but are not limited to, unfavourable movements in commodity prices, interest rates or foreign exchange that could result in a financial or opportunity loss to the company; a lack of counterparties, due to market conditions or other circumstances that could leave the company unable to liquidate or offset a position, or unable to do so at or near the previous market price; and counterparty default risk.

The occurrence of any of the foregoing could have a material adverse effect on Suncor's business, financial condition and results of operations.

**Exchange Rate Fluctuations**

The company's 2021 audited Consolidated Financial Statements are presented in Canadian dollars. The majority of Suncor's revenues from the sale of oil and natural gas commodities are based on prices that are determined by, or referenced to, U.S. dollar benchmark prices, while the majority of Suncor's expenditures are realized in Canadian dollars. Suncor also has assets and liabilities, including approximately 60% of the company's debt, that are denominated in U.S. dollars and translated to Suncor's reporting currency (Canadian dollars) at each balance sheet date. Suncor's financial results, therefore, can be affected significantly by the exchange rates between the Canadian dollar and the U.S. dollar. The company also undertakes operations administered through international subsidiaries, and, therefore, to a lesser extent, Suncor's results can be affected by the exchange rates between the Canadian dollar and the euro, the British pound and the Norwegian krone. These exchange rates may vary substantially and may give rise to favourable or unfavourable foreign currency exposure. A decrease in the value of the Canadian dollar relative to the U.S. dollar will increase the revenues received from the sale of commodities. An increase in the value of the Canadian dollar relative to the U.S. dollar will decrease revenues received from the sale of commodities. A decrease in the value of the Canadian dollar relative to the U.S. dollar from the previous balance sheet date increases the amount of Canadian dollars required to settle U.S. dollar denominated obligations. As at December 31, 2021, the Canadian dollar strengthened in relation to the U.S. dollar to $0.79 from $0.78 at the start of 2021. Exchange rate fluctuations could have a material adverse effect on Suncor's business, financial condition, reserves and results of operations.

**Interest Rate Risk**

The company is exposed to fluctuations in short-term Canadian and U.S. interest rates as Suncor maintains a portion of its debt capacity in revolving and floating rate credit facilities and commercial paper, and invests surplus cash in short-term debt instruments and money market instruments, which are off-setting exposures to some degree. Suncor may also be exposed to higher interest rates when debt instruments are maturing and require refinancing, or when new debt capital needs to be raised. The company is also exposed to changes in interest rates if derivative instruments are used to manage the debt portfolio. Unfavourable changes in interest rates could have a material adverse effect on Suncor's business, financial condition and results of operations.

**Royalties and Taxes**

Suncor is subject to royalties and taxes imposed by governments in numerous jurisdictions.

Royalties can be impacted by changes in crude oil and natural gas pricing, production volumes, sales volumes, and capital and operating costs, by changes to existing legislation or production sharing contracts, and by results of regulatory audits of prior year filings and other such events. The final determination of these events may have a material impact on the company's royalties expense.

An increase in Suncor's royalties expense, income taxes, property taxes, carbon taxes, levies, tariffs, duties, quotas, border taxes, other taxes and government-imposed compliance costs could have a material adverse effect on Suncor's business, financial condition, reserves and results of operations.

**Dividends and Share Repurchases**

Suncor's payment of future dividends on its common shares and future share repurchases by Suncor of its common shares will be dependent on, among other things, legislative and stock exchange requirements, the prevailing business environment, the company's financial condition, results of operations, cash flow, the need for funds to finance ongoing operations and growth projects, debt covenants and other business considerations as the company's Board considers relevant. There can be no assurance that Suncor will continue to pay dividends or repurchase shares in the future.

## E&P Reserves Replacement

Suncor's future offshore production, and therefore its cash flows and results of operations from E&P, are highly dependent upon success in exploiting its current reserves base and acquiring or discovering additional reserves. Without additions to its E&P reserves through exploration, acquisition or development activities, Suncor's production from its offshore assets will decline over time as reserves are depleted. The business of exploring for, developing or acquiring reserves is capital intensive. To the extent Suncor's cash flow is insufficient to fund capital expenditures and external sources of capital become limited or unavailable, Suncor's ability to make the necessary capital investments to maintain and expand its reserves will be impaired. In addition, Suncor may be unable to develop or acquire additional reserves to replace its crude oil and natural gas production at acceptable costs.

## Uncertainties Affecting Reserves Estimates

There are numerous uncertainties inherent in estimating quantities of reserves, including many factors beyond the company's control. Suncor's actual production, revenues, royalties, taxes, and development and operating expenditures with respect to the company's reserves will vary from its estimates, and such variances could be material.

## Third-Party Service Providers

Suncor's businesses are reliant on the operational integrity of a large number of third-party service providers, including input and output commodity transport (pipelines, rail, trucking, marine) and utilities associated with various Suncor and jointly owned facilities, including electricity. A disruption in service or limited availability by one of these third parties can also have a dramatic impact on Suncor's operations and growth plans. Pipeline constraints that affect takeaway capacity or supply of inputs, such as hydrogen and power, could impact the company's ability to produce at capacity levels. Disruptions in pipeline service could adversely affect commodity prices, Suncor's price realizations, refining operations and sales volumes, or limit the company's ability to produce and deliver production. These interruptions may be caused by the inability of the pipeline to operate or by the oversupply of feedstock into the system that exceeds pipeline capacity. Short-term operational constraints on pipeline systems arising from pipeline interruption and/or increased supply of crude oil have occurred in the past and could occur in the future. There is a risk that third-party outages could impact Suncor's production or price realizations, which could have a material adverse effect on Suncor's business, financial condition and results of operations.

## Foreign Operations

The company has operations in a number of countries with different political, economic and social systems. As a result, the company's operations and related assets are subject to a number of risks and other uncertainties arising from foreign government sovereignty over the company's international operations, which may include, among other things, currency restrictions and restrictions on repatriation of funds; loss of revenue, property and equipment as a result of expropriation, nationalization, terrorism, war, insurrection, and geopolitical and other political risks; increases in taxes and government royalties; compliance with existing and emerging anti-corruption laws, including the *Corruption of Foreign Public Officials Act* (Canada), the *Foreign Corrupt Practices Act* (United States), and *Bribery Act* (United Kingdom); renegotiation of contracts with government entities and quasi-government agencies; changes in laws and policies governing operations of foreign-based companies; and economic and legal sanctions (such as restrictions against countries experiencing political violence, or countries that other governments may deem to sponsor terrorism).

If a dispute arises in the company's foreign operations, the company may be subject to the exclusive jurisdiction of foreign courts or may not be able to subject foreign persons to the jurisdiction of a court in Canada or the U.S. In addition, as a result of activities in these areas and a continuing evolution of an international framework for corporate responsibility and accountability for international crimes, there is a risk the company could also be exposed to potential claims for alleged breaches of international or local law.

The impact that future potential terrorist attacks, regional hostilities or political violence, such as that experienced in Libya and Syria, may have on the oil and gas industry, and on our operations in particular, is not known at this time. This uncertainty may affect operations in unpredictable ways, including disruptions of fuel supplies and markets, particularly crude oil, and the possibility that infrastructure facilities, including pipelines, production facilities, processing plants and refineries, could be direct targets of, or collateral damage of, an act of terror, political violence or war. Suncor may be required to incur significant costs in the future to safeguard its assets against terrorist activities or to remediate potential damage to its facilities. There can be no assurance that Suncor will be successful in protecting itself against these risks and the related safety and financial consequences.

Despite Suncor's training and policies around bribery and other forms of corruption, there is a risk that Suncor, or some of its employees or contractors, could be charged with bribery or corruption. Any of these violations could result in onerous penalties. Even allegations of such behaviour could impair Suncor's ability to work with governments or non-government organizations and could result in the formal exclusion of Suncor from a country or area, sanctions, fines, project cancellations or delays, the inability to raise or borrow capital, reputational impacts and increased investor concern.

The occurrence of any of the foregoing could have a material adverse effect on Suncor's business, financial condition, reserves and results of operations.

## Land Claims and Indigenous Consultation

Indigenous Peoples have claimed Indigenous title and rights to portions of Western Canada. In addition, Indigenous Peoples have filed claims against industry participants relating in part to land claims, which may affect the company's business.

The requirement to consult with Indigenous Peoples in respect of oil and gas projects and related infrastructure has increased in recent years, and the Canadian federal government and the provincial government in Alberta have committed to renew their relationships with the Indigenous Peoples of Canada. In particular, the federal government has stated it fully supports the United Nations Declaration on the Rights of Indigenous Peoples (the Declaration). On December 3, 2020, the federal government introduced Bill C-15, *An Act respecting the United Nations Declaration on the Rights of Indigenous Peoples* (Bill C-15), as a means of adopting the Declaration into Canadian law while stating that the legislative framework will "ensure sustained and continued efforts to uphold the rights of Indigenous Peoples now and in the future." On June 21, 2021, Bill C-15 received Royal Assent. For its part, Suncor stated support for Bill C-15. At the same time, Suncor also expressed a desire for the government to clarify the ambiguity around Bill C-15 and to provide clear guidelines. Given Bill C-15's recent adoption, it is unknown how Bill C-15 will ultimately be implemented and interpreted as a part of Canadian law, and it therefore also remains unclear what its corresponding impact will be on the Crown's duty to consult with Indigenous Peoples.

At this point Suncor is unable to assess the effect, if any, that any such land claims, consultation requirements with Indigenous Peoples or the implementation of Bill C-15 into Canadian law may have on Suncor's business; however, the impact could have a material adverse effect on Suncor's business, financial condition, reserves and results of operations.

## Litigation Risk

There is a risk that Suncor or entities in which it has an interest may be subject to litigation, and claims under such litigation may be material. Various types of claims may be raised in these proceedings, including, but not limited to, environmental damage, climate change and the impacts thereof, breach of contract, product liability, antitrust, bribery and other forms of corruption, tax, patent infringement, disclosure, employment matters and in relation to an attack, breach or unauthorized access to Suncor's information technology and infrastructure. Litigation is subject to uncertainty and it is possible that there could be material adverse developments in pending or future cases. Unfavourable outcomes or settlements of litigation could encourage the commencement of additional litigation. Suncor may also be subject to adverse publicity and reputational impacts associated with such matters, regardless of whether Suncor is ultimately found liable. There is a risk that the outcome of such litigation may be materially adverse to the company and/or the company may be required to incur significant expenses or devote significant resources in defence against such litigation, the success of which cannot be guaranteed.

## Control Environment

Based on their inherent limitations, disclosure controls and procedures and internal controls over financial reporting may not prevent or detect misstatements, and even those controls determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Failure to adequately prevent, detect and correct misstatements could have a material adverse effect on how Suncor's business, financial condition and results of operations are reported.

## Insurance Coverage

Suncor maintains insurance coverage as part of its risk management program. However, such insurance may not provide comprehensive coverage in all circumstances, nor are all such risks insurable. The company self-insures some risks, and the company's insurance coverage does not cover all the costs arising out of the allocation of liabilities and risk of loss arising from Suncor operations.

Suncor's insurance policies are generally renewed on an annual basis and, depending on factors such as market conditions, the premiums, policy limits and/or deductibles for certain insurance policies can vary substantially. In some instances, certain insurance may become unavailable or available only for reduced amounts of coverage. Significantly increased costs could lead the company to decide to reduce, or possibly eliminate, coverage. In addition, insurance is purchased from a number of third-party insurers, often in layered insurance arrangements, some of whom may discontinue providing insurance coverage for their own policy or strategic reasons. Should any of these insurers refuse to continue to provide insurance coverage, the company's overall risk exposure could be increased.

# 11. Other Items

## Control Environment

Based on their evaluation as of December 31, 2021, Suncor's Chief Executive Officer and Chief Financial Officer concluded that the company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the United States *Securities Exchange Act of 1934*, as amended (the Exchange Act)), are effective to ensure that information required to be disclosed by the company in reports that are filed or submitted to Canadian and U.S. securities authorities is recorded, processed, summarized and reported within the time periods specified in Canadian and U.S. securities laws. In addition, as of December 31, 2021, there were no changes in the internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the year ended December 31, 2021, that have materially affected, or are reasonably likely to materially affect, the company's internal control over financial reporting. Management will continue to periodically evaluate the company's disclosure controls and procedures and internal control over financial reporting and will make any modifications from time to time as deemed necessary.

The effectiveness of our internal control over financial reporting as at December 31, 2021, was audited by KPMG LLP, an independent registered public accounting firm, as stated in their report, which is included in our audited Consolidated Financial Statements for the year ended December 31, 2021.

Based on their inherent limitations, disclosure controls and procedures and internal control over financial reporting may not prevent or detect misstatements, and even those controls determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

## Corporate Guidance

There have been no changes to the corporate guidance ranges previously issued on February 2, 2022. For further details and advisories regarding Suncor's 2022 corporate guidance, see www.suncor.com/guidance.

# 12. Advisories

## Non-GAAP Financial Measures

Certain financial measures in this MD&A – namely adjusted operating earnings (loss), adjusted funds from (used in) operations, measures contained in ROCE and ROCE excluding impairments, price realizations, free funds flow, discretionary free funds flow (deficit), Oil Sands operations cash operating costs, Fort Hills cash operating costs, Syncrude cash operating costs, refining and marketing margin, refining operating expense, net debt, total debt, LIFO inventory valuation methodology and related per share or per barrel amounts or metrics that contain such measures – are not prescribed by GAAP. These non-GAAP financial measures are included because management uses the information to analyze business performance, leverage and liquidity, and it may be useful to investors on the same basis. These non-GAAP financial measures do not have any standardized meaning and, therefore, are unlikely to be comparable to similar measures presented by other companies. Therefore, these non-GAAP financial measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. Except as otherwise indicated, these non-GAAP financial measures are calculated and disclosed on a consistent basis from period to period. Specific adjusting items may only be relevant in certain periods.

Beginning in the fourth quarter of 2021, the company changed the label of operating earnings (loss) and funds from (used in) operations to adjusted operating earnings (loss) and adjusted funds from (used in) operations, respectively, to better distinguish the non-GAAP financial measures from the comparable GAAP measures and better reflect the purpose of the measures. The composition of the measures remains unchanged and therefore no prior periods were restated.

**(a) Adjusted Operating Earnings (Loss)**

Adjusted operating earnings (loss) is a non-GAAP financial measure that adjusts net earnings (loss) for significant items that are not indicative of operating performance. Management uses adjusted operating earnings (loss) to evaluate operating performance because management believes it provides better comparability between periods. For the years ended December 31, 2021, December 31, 2020, and December 31, 2019, consolidated adjusted operating earnings (loss) are reconciled to net earnings (loss) in the Financial Information section of this MD&A and adjusted operating earnings (loss) for each segment are reconciled to net earnings (loss) in the Segment Results and Analysis section of this MD&A. Adjusted operating earnings (loss) for the three months ended December 31, 2021, and December 31, 2020, are reconciled to net earnings (loss) below.

**(b) Bridge Analyses of Adjusted Operating Earnings (Loss)**

Throughout this MD&A, the company presents charts that illustrate the change in adjusted operating earnings (loss) from the comparative period through key variance factors. These factors are analyzed in the Adjusted Operating Earnings (Loss) narratives following the bridge analyses in particular sections of this MD&A. These bridge analyses are presented because management uses this presentation to evaluate performance.

- The factor for Sales Volumes and Mix is calculated based on sales volumes and mix for the Oil Sands and E&P segments and throughput volumes for the R&M segment.
- The factor for Price, Margin and Other Revenue includes upstream price realizations before royalties, with the exception of Libya, which is net of royalties, and upstream marketing and logistics. Also included are refining and marketing margins, other operating revenue, and the net impacts of sales and purchases of third-party crude, including product purchased for use as diluent in the company's Oil Sands operations and subsequently sold as part of diluted bitumen.
- The factor for Royalties excludes the impact of Libya, as royalties in Libya are taken into account in Price, Margin and Other Revenue as described above.
- The factor for Inventory Valuation includes the after-tax impact of the FIFO method of inventory valuation in the company's R&M segment, as well as the impact of the deferral or realization of profit or loss on crude oil sales from the Oil Sands segment to Suncor's refineries, as both represent inventory valuation adjustments, and downstream short-term commodity risk management activities.
- The factor for Operating and Transportation Expense includes project startup costs, operating, selling and general expense, and transportation expense.
- The factor for Financing Expense and Other includes financing expenses, other income, operational foreign exchange gains and losses, changes in gains and losses on disposal of assets that are not adjusted operating earnings (loss) adjustments, changes in statutory income tax rates, and other income tax adjustments.
- The factor for DD&A and Exploration Expense includes depreciation, depletion and amortization expense, and exploration expense.

**(c) Return on Capital Employed (ROCE) and ROCE Excluding Impairments**

ROCE is a non-GAAP financial measure that management uses to analyze operating performance and the efficiency of Suncor's capital allocation process. ROCE is calculated using the non-GAAP financial measures adjusted net earnings and average capital employed. Adjusted net earnings is calculated by taking net earnings (loss) and adjusting after-tax amounts for unrealized foreign exchange on U.S. dollar denominated debt and net interest expense. Average capital employed is calculated as a twelve-month average of the capital employed balance at the beginning of the twelve-month period and the month-end capital employed balances throughout the remainder of the twelve-month period. Figures for capital employed at the beginning and end of the twelve-month period are presented to show the changes in the components of the calculation over the twelve-month period.

| Year ended December 31<br>($ millions, except as noted) | | **2021** | 2020 | 2019 |
|---|---|---|---|---|
| Adjustments to net earnings (loss) | | | | |
| Net earnings (loss) | | **4 119** | (4 319) | 2 899 |
| (Deduct) add after-tax amounts for: | | | | |
| Unrealized foreign exchange gain on U.S. dollar denominated debt | | **(101)** | (286) | (590) |
| Net interest expense | | **645** | 698 | 638 |
| Adjusted net earnings (loss)(1) | A | **4 663** | (3 907) | 2 947 |
| Capital employed – beginning of twelve-month period | | | | |
| Net debt(2) | | **19 814** | 16 010 | 15 129 |
| Shareholders' equity | | **35 757** | 42 042 | 44 005 |
| | | **55 571** | 58 052 | 59 134 |
| Capital employed – end of twelve-month period | | | | |
| Net debt(2) | | **16 149** | 19 814 | 16 010 |
| Shareholders' equity | | **36 614** | 35 757 | 42 042 |
| | | **52 763** | 55 571 | 58 052 |
| Average capital employed | B | **54 069** | 56 239 | 60 402 |
| ROCE (%)(3) | A/B | **8.6** | (6.9) | 4.9 |

(1) Total before-tax impact of adjustments is $738 million for the twelve months ended December 31, 2021, $618 million for the twelve months ended December 31, 2020, and $250 million for the twelve months ended December 31, 2019.

(2) Net debt is a non-GAAP financial measure.

(3) ROCE would have been 8.2% for the twelve months ended December 31, 2021, excluding the impact of the impairment reversal of $221 million ($168 million after-tax) in the third quarter of 2021. ROCE would have been (2.9%) for the twelve months ended December 31, 2020, excluding the impact of impairments of $559 million ($423 million after-tax) in the fourth quarter of 2020 and $1.821 billion ($1.376 billion after-tax) and $560 million ($422 million after-tax) in the first quarter of 2020. ROCE would have been 10.0% for the twelve months ended December 31, 2019, excluding the impact of impairments of $3.716 billion ($2.803 billion after-tax) and $521 million ($393 million after-tax) in the fourth quarter of 2019.

**(d) Adjusted Funds from (Used in) Operations**

Adjusted funds from (used in) operations is a non-GAAP financial measure that adjusts a GAAP measure – cash flow provided by operating activities – for changes in non-cash working capital, which management uses to analyze operating performance and liquidity. Changes to non-cash working capital can be impacted by, among other factors, the timing of offshore feedstock purchases and payments for commodity and income taxes, the timing of cash flows related to accounts receivable and accounts payable, and changes in inventory that management believes reduces comparability between periods.

| | Oil Sands | | | Exploration and Production | | | Refining and Marketing | | |
|---|---|---|---|---|---|---|---|---|---|
| Year ended December 31 ($ millions) | **2021** | 2020 | 2019 | **2021** | 2020 | 2019 | **2021** | 2020 | 2019 |
| Net earnings (loss) | **2 147** | (3 796) | (427) | **1 285** | (832) | 1 005 | **2 178** | 866 | 3 000 |
| Adjustments for: | | | | | | | | | |
| Depreciation, depletion, amortization and impairment | **4 585** | 6 430 | 8 170 | **324** | 2 147 | 1 505 | **853** | 867 | 823 |
| Deferred income taxes | **(51)** | (797) | (1 565) | **33** | (321) | (215) | **113** | (24) | (49) |
| Accretion | **240** | 224 | 221 | **58** | 48 | 43 | **6** | 6 | 6 |
| Unrealized foreign exchange gain on U.S. dollar denominated debt | **—** | — | — | **—** | — | — | **—** | — | — |
| Change in fair value of financial instruments and trading inventory | **(66)** | 81 | 21 | **3** | (17) | 16 | **50** | 44 | 70 |
| (Gain) loss on disposal of assets | **(4)** | (1) | (14) | **(227)** | — | (228) | **(19)** | (24) | (11) |
| Loss on extinguishment of long-term debt | **—** | — | — | **—** | — | — | **—** | — | — |
| Share-based compensation | **61** | (59) | 16 | **5** | (9) | — | **34** | (36) | 3 |
| Exploration expenses | **—** | — | — | **—** | 80 | 66 | **—** | — | — |
| Settlement of decommissioning and restoration liabilities | **(245)** | (212) | (413) | **(1)** | (7) | (32) | **(17)** | (12) | (19) |
| Other | **179** | 116 | 52 | **(2)** | (35) | (17) | **57** | 21 | 40 |
| **Adjusted funds from (used in) operations** | **6 846** | 1 986 | 6 061 | **1 478** | 1 054 | 2 143 | **3 255** | 1 708 | 3 863 |
| Change in non-cash working capital | | | | | | | | | |
| Cash flow provided by operating activities | | | | | | | | | |

| | Corporate and Eliminations | | | Total | | |
|---|---|---|---|---|---|---|
| Year ended December 31 ($ millions) | **2021** | 2020 | 2019 | **2021** | 2020 | 2019 |
| Net earnings (loss) | **(1 491)** | (557) | (679) | **4 119** | (4 319) | 2 899 |
| Adjustments for: | | | | | | |
| Depreciation, depletion, amortization and impairment | **88** | 82 | 74 | **5 850** | 9 526 | 10 572 |
| Deferred income taxes | **(39)** | 23 | (89) | **56** | (1 119) | (1 918) |
| Accretion | **—** | — | — | **304** | 278 | 270 |
| Unrealized foreign exchange gain on U.S. dollar denominated debt | **(113)** | (312) | (624) | **(113)** | (312) | (624) |
| Change in fair value of financial instruments and trading inventory | **—** | — | — | **(13)** | 108 | 107 |
| (Gain) loss on disposal of assets | **(7)** | 9 | — | **(257)** | (16) | (253) |
| Loss on extinguishment of long-term debt | **80** | — | — | **80** | — | — |
| Share-based compensation | **105** | (134) | 25 | **205** | (238) | 44 |
| Exploration expenses | **—** | — | — | **—** | 80 | 66 |
| Settlement of decommissioning and restoration liabilities | **—** | — | — | **(263)** | (231) | (464) |
| Other | **55** | 17 | 44 | **289** | 119 | 119 |
| **Adjusted funds from (used in) operations** | **(1 322)** | (872) | (1 249) | **10 257** | 3 876 | 10 818 |
| Change in in non-cash working capital | | | | **1 507** | (1 201) | (397) |
| Cash flow provided by operating activities | | | | **11 764** | 2 675 | 10 421 |

### (e) Free Funds Flow and Discretionary Free Funds Flow (Deficit)

Free funds flow is a non-GAAP financial measure that is calculated by taking adjusted funds from operations and subtracting capital expenditures, including capitalized interest. Discretionary free funds flow (deficit) is a non-GAAP financial measure that is calculated by taking adjusted funds from operations and subtracting asset sustainment and maintenance capital, inclusive of associated capitalized interest, and dividends. Both free funds flow and discretionary free funds flow (deficit) reflect cash available for increasing distributions to shareholders and to fund growth investments. Management uses free funds flow and discretionary free funds flow (deficit) to measure the capacity of the company to increase returns to shareholders and to grow Suncor's business. The following is a reconciliation of discretionary free funds flow for Suncor's last three years of operations.

| ($ millions) | **2021** | 2020 | 2019 |
|---|---|---|---|
| Cash flow provided by operating activities | **11 764** | 2 675 | 10 421 |
| Deduct (add) change in non-cash working capital | **1 507** | (1 201) | (397) |
| Adjusted funds from operations | **10 257** | 3 876 | 10 818 |
| Asset sustaining and maintenance capital and dividends(1) | **(4 667)** | (4 104) | (5 904) |
| Discretionary free funds flow (deficit) | **5 590** | (228) | 4 914 |

(1) Includes capitalized interest on sustaining capital of $60 million in 2021, $46 million in 2020 and $63 million in 2019.

### (f) Oil Sands Operations, Fort Hills and Syncrude Cash Operating Costs

Cash operating costs are calculated by adjusting Oil Sands segment OS&G expense for i) non-production costs that management believes do not relate to production performance, including, but not limited to, share-based compensation adjustments, CEWS, COVID-19 related costs and safe-mode costs, research costs and the expense recorded as part of a non-monetary arrangement involving a third-party processor; ii) revenues associated with excess capacity, including excess power generated and sold that is recorded in operating revenue; iii) project startup costs; and iv) the impacts of changes in inventory levels and valuation, such that the company is able to present cost information based on production volumes. Oil Sands operations and Syncrude production volumes include production of diesel that is internally consumed and feedstock transfers between assets through the interconnecting pipelines. Beginning in 2020, the company revised the methodology for calculating Syncrude cash operating costs to better align with the Oil Sands operations and Fort Hills cash operating costs methodology. Prior period Syncrude cash operating costs had previously included future development costs and have been restated to exclude these costs. Oil Sands operations, Fort Hills and Syncrude cash operating costs are reconciled in the Segment Results and Analysis – Oil Sands section of this document. Management uses cash operating costs to measure operating performance.

### (g) Refining and Marketing Gross Margin and Refining Operating Expense

Refining and marketing gross margins and refining operating expense are non-GAAP financial measures. Refining and marketing gross margin, on a FIFO basis, is calculated by adjusting R&M segment operating revenue, other income and purchases of crude oil and products (all of which are GAAP measures) for intersegment marketing fees recorded in intersegment revenues and the impact of inventory write-downs recorded in purchases of crude oil and products. Refining and marketing gross margin, on a LIFO basis, is further adjusted for the impacts of FIFO inventory valuation recorded in purchases of crude oil and products and short-term risk management activities recorded in other income (loss). Refinery operating expense is calculated by adjusting R&M segment OS&G for i) non-refining costs pertaining to the company's supply, marketing and ethanol businesses; and ii) non-refining costs that management believes do not relate to the production of refined products, including, but not limited to, CEWS, share-based compensation and enterprise shared service allocations. Management uses refining and marketing gross margin and refining operating expense to measure operating performance on a production barrel basis.

| Year ended December 31<br>($ millions, except as noted) | **2021** | 2020 | 2019 |
|---|---|---|---|
| Refining and marketing gross margin reconciliation | | | |
| Operating revenues | **22 915** | 15 272 | 22 304 |
| Purchases of crude oil and products | **(16 807)** | (11 243) | (15 296) |
| | **6 108** | 4 029 | 7 008 |
| Other (loss) income | **(50)** | 48 | 75 |
| Non-refining and marketing margin | **(54)** | (57) | (60) |
| Refining and marketing gross margin – FIFO | **6 004** | 4 020 | 7 023 |
| Refinery production(1) (mbbls) | **162 862** | 158 991 | 173 705 |
| Refining and marketing gross margin – FIFO(2) ($/bbl) | **36.85** | 25.30 | 40.45 |
| FIFO and short-term risk management activities adjustment | **(972)** | 532 | (628) |
| Refining and marketing gross margin – LIFO | **5 032** | 4 552 | 6 395 |
| Refining and marketing gross margin – LIFO(2) ($/bbl) | **30.90** | 28.65 | 36.80 |
| Refining operating expense reconciliation | | | |
| Operating, selling and general expense(3) | **2 019** | 1 759 | 2 035 |
| Non-refining costs(3) | **(1 051)** | (885) | (1 108) |
| Refining operating expense | **968** | 874 | 927 |
| Refinery production(1) | **162 862** | 158 991 | 173 705 |
| Refining operating expense ($/bbl) | **5.95** | 5.50 | 5.35 |

(1) Refinery production is the output of the refining process, and differs from crude oil processed as a result of volumetric adjustments for non-crude feedstock, volumetric gain associated with the refining process, and changes in unfinished product inventories.

(2) Beginning in 2020, refining and marketing gross margins have been revised to better reflect the refining, product supply and rack forward businesses. Prior periods have been restated to reflect this change.

(3) Prior period amounts of OS&G have been reclassified to align with the current year presentation of transportation and distribution expense. This reclassification had no effect on the refining operating expense.

### (h) Impact of First-in, First-out (FIFO) Inventory Valuation on Refining and Marketing Net Earnings

GAAP requires the use of a FIFO inventory valuation methodology. For Suncor, this results in a disconnect between the sales prices for refined products, which reflect current market conditions, and the amount recorded as the cost of sale for the related refinery feedstock, which reflects market conditions at the time when the feedstock was purchased. This lag between purchase and sale can be anywhere from several weeks to several months, and is influenced by the time to receive crude after purchase (which can be several weeks for foreign offshore crude purchases), regional crude inventory levels, the completion of refining processes, transportation time to distribution channels and regional refined product inventory levels.

Suncor prepares and presents an estimate of the impact of using a FIFO inventory valuation methodology compared to a LIFO methodology, because management uses the information to analyze operating performance and compare itself against refining peers that are permitted to use LIFO inventory valuation under United States GAAP (U.S. GAAP).

The company's estimate is not derived from a standardized calculation and, therefore, may not be directly comparable to similar measures presented by other companies, and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP or U.S. GAAP.

### (i) Net Debt and Total Debt

Net debt and total debt are non-GAAP financial measures that management uses to analyze the financial condition of the company. Total debt includes short-term debt, current portion of long-term debt, current portion of long-term lease liabilities, long-term debt and long-term lease liabilities (all of which are GAAP measures). Net debt is equal to total debt less cash and cash equivalents (a GAAP measure).

| At December 31<br>($ millions, except as noted) | **2021** | 2020 | 2019 |
|---|---|---|---|
| Short-term debt | **1 284** | 3 566 | 2 155 |
| Current portion of long-term debt | **231** | 1 413 | — |
| Current portion of long-term lease liabilities | **310** | 272 | 310 |
| Long-term debt | **13 989** | 13 812 | 12 884 |
| Long-term lease liabilities | **2 540** | 2 636 | 2 621 |
| Total debt | **18 354** | 21 699 | 17 970 |
| Less: Cash and cash equivalents | **2 205** | 1 885 | 1 960 |
| Net debt | **16 149** | 19 814 | 16 010 |
| Shareholders' equity | **36 614** | 35 757 | 42 042 |
| Total debt plus shareholders' equity | **54 968** | 57 456 | 60 012 |
| Total debt to total debt plus shareholders' equity (%) | **33.4** | 37.8 | 29.9 |
| Net debt to net debt plus shareholders' equity (%) | **30.6** | 35.7 | 27.6 |
| Net debt to net debt plus shareholders' equity – excluding leases (%) | **26.6** | 32.1 | 23.7 |

### (j) Price Realizations

Price realizations are a non-GAAP measure used by management to measure profitability. Oil Sands price realizations are presented on a crude product basis and are derived from the Oil Sands segmented statement of net earnings (loss), after adjusting for items not directly attributable to the revenues associated with production. E&P price realizations are presented on an asset location basis and are derived from the E&P segmented statement of net earnings (loss), after adjusting for other E&P assets, such as Libya, for which price realizations are not provided.

**Oil Sands Price Realizations**

| | **December 31, 2021** | | | | December 31, 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| For the year ended<br>($ millions, except as noted) | **Bitumen** | **SCO and Diesel** | **Crude sales basket** | **Oil Sands Segment** | Bitumen | SCO and Diesel | Crude sales basket | Oil Sands Segment |
| Operating revenues, net of royalties | **5 092** | **13 305** | **18 397** | **18 397** | 2 024 | 8 498 | 10 522 | 10 522 |
| Add: Royalties | **376** | **1 147** | **1 523** | **1 523** | 19 | 76 | 95 | 95 |
| Operating revenues | **5 468** | **14 452** | **19 920** | **19 920** | 2 043 | 8 574 | 10 617 | 10 617 |
| Other (loss) income | **(56)** | **62** | **6** | **6** | 21 | 277 | 298 | 298 |
| Purchases of crude oil and products | **(1 231)** | **(213)** | **(1 444)** | **(1 444)** | (702) | (142) | (844) | (844) |
| Gross realization adjustment(1) | **(210)** | **(325)** | **(535)** | | (54) | (458) | (512) | |
| Gross realizations | **3 971** | **13 976** | **17 947** | | 1 308 | 8 251 | 9 559 | |
| Transportation and distribution | **(359)** | **(767)** | **(1 126)** | **(1 126)** | (476) | (747) | (1 223) | (1 223) |
| Transportation and distribution adjustment(2) | **—** | **—** | **—** | | 197 | — | 197 | |
| Net transportation and distribution | **(359)** | **(767)** | **(1 126)** | | (279) | (747) | (1 026) | |
| Price realization | **3 612** | **13 209** | **16 821** | | 1 029 | 7 504 | 8 533 | |
| Sales volumes (mbbls) | **67 094** | **169 983** | **237 077** | | 45 980 | 171 211 | 217 191 | |
| Price realization per barrel | **53.80** | **77.73** | **70.96** | | 22.37 | 43.83 | 39.29 | |

| For the year ended ($ millions, except as noted) | December 31, 2019 Bitumen | SCO and Diesel | Crude sales basket | Oil Sands Segment |
|---|---|---|---|---|
| Operating revenues, net of royalties | 4 656 | 12 774 | 17 430 | 17 430 |
| Add: Royalties | 124 | 793 | 917 | 917 |
| Operating revenues | 4 780 | 13 567 | 18 347 | 18 347 |
| Other (loss) income | (38) | 210 | 172 | 172 |
| Purchases of crude oil and products | (1 164) | (243) | (1 407) | (1 407) |
| Gross realization adjustment(1) | (14) | (219) | (233) | |
| Gross realizations | 3 564 | 13 315 | 16 879 | |
| Transportation and distribution | (449) | (844) | (1 293) | (1 293) |
| Transportation and distribution adjustment(2) | 15 | 7 | 22 | |
| Net transportation and distribution | (434) | (837) | (1 271) | |
| Price realization | 3 130 | 12 478 | 15 608 | |
| Sales volumes (mbbls) | 68 430 | 176 494 | 244 924 | |
| Price realization per barrel | 45.71 | 70.68 | 63.70 | |

(1) Reflects the items not directly attributed to revenues received from the sale of proprietary crude and net non-proprietary activity at its deemed point of sale.

(2) Reflects adjustments for expenses or credits not directly related to the transportation of the crude product to its deemed point of sale.

**E&P Price Realizations**

| For the year ended ($ millions, except as noted) | **December 31, 2021** | | | | December 31, 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | **E&P International** | **E&P Canada** | **Other(1)** | **E&P Segment** | E&P International | E&P Canada | Other(1) | E&P Segment |
| Operating revenues, net of royalties | **815** | **1 447** | **238** | **2 500** | 809 | 1 058 | (111) | 1 756 |
| Add: Royalties | **—** | **237** | **241** | **478** | — | 94 | 49 | 143 |
| Operating revenues | **815** | **1 684** | **479** | **2 978** | 809 | 1 152 | (62) | 1 899 |
| Transportation and distribution | **(25)** | **(44)** | **(43)** | **(112)** | (34) | (65) | (1) | (100) |
| Price realization | **790** | **1 640** | **436** | | 775 | 1 087 | (63) | |
| Sales volumes (mbbls) | **9 616** | **19 386** | | | 15 406 | 21 879 | | |
| Price realization per barrel | **82.16** | **84.70** | | | 50.28 | 49.69 | | |

| For the year ended ($ millions, except as noted) | December 31, 2019 E&P International | E&P Canada | Other(1) | E&P Segment |
|---|---|---|---|---|
| Operating revenues, net of royalties | 1 309 | 1 621 | 140 | 3 070 |
| Add: Royalties | — | 302 | 303 | 605 |
| Operating revenues | 1 309 | 1 923 | 443 | 3 675 |
| Transportation and distribution | (35) | (39) | (6) | (80) |
| Price realization | 1 274 | 1 884 | 437 | |
| Sales volumes (mbbls) | 15 650 | 22 190 | | |
| Price realization per barrel | 81.22 | 84.86 | | |

(1) Reflects other E&P assets, such as Libya, for which price realizations are not provided.

### (k) Adjusted Operating Earnings (Loss)[1] Reconciliations – Fourth Quarter 2021 and 2020

| For the quarter ended December 31 ($ millions) | Oil Sands 2021 | Oil Sands 2020 | Exploration and Production 2021 | Exploration and Production 2020 | Refining and Marketing 2021 | Refining and Marketing 2020 | Corporate and Eliminations 2021 | Corporate and Eliminations 2020 | Total 2021 | Total 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Net earnings (loss) | **896** | (293) | **465** | (379) | **450** | 268 | **(258)** | 236 | **1 553** | (168) |
| Unrealized foreign exchange gain on U.S. dollar denominated debt | **—** | — | **—** | — | **—** | — | **(21)** | (539) | **(21)** | (539) |
| Unrealized loss (gain) on risk management activities[1] | **2** | 21 | **—** | — | **(13)** | 12 | **—** | — | **(11)** | 33 |
| Gain on significant disposal[2] | **—** | — | **(227)** | — | **—** | — | **—** | — | **(227)** | — |
| Asset Impairments[3] | **—** | — | **—** | 423 | **—** | — | **—** | — | **—** | 423 |
| Provision for pipeline project[4] | **—** | 142 | **—** | — | **—** | — | **—** | — | **—** | 142 |
| Adjusted operating earnings (loss) | **898** | (130) | **238** | 44 | **437** | 280 | **(279)** | (303) | **1 294** | (109) |

(1) Beginning in 2021, the company revised its calculation of adjusted operating earnings (loss), a non-GAAP financial measure, to exclude unrealized (gains) losses on derivative financial instruments that are recorded at fair value in other income (loss) to better align the earnings impact of the activity with the underlying items being risk-managed. Prior period comparatives have been restated to reflect this change.

(2) In the fourth quarter of 2021, the company completed the sale of its 26.69% working interest in the Golden Eagle Area Development, in the E&P segment, for proceeds of $227 million ($227 million after-tax) net of closing adjustments and other closing costs, in addition to future contingent consideration of up to US$50 million.

(3) In the fourth quarter of 2020, the company recorded non-cash impairment charges of $559 million ($423 million after-tax) against its share of the White Rose assets as a result of the high degree of uncertainty surrounding the future of the West White Rose Project.

(4) In the fourth quarter of 2020, the company recorded a provision to transportation expense for $186 million ($142 million after-tax) related to the Keystone XL pipeline project.

### (l) Adjusted Funds from Operations Reconciliations – Fourth Quarter 2021 and 2020

| For the quarter ended December 31 ($ millions) | Oil Sands 2021 | Oil Sands 2020 | Exploration and Production 2021 | Exploration and Production 2020 | Refining and Marketing 2021 | Refining and Marketing 2020 | Corporate and Eliminations 2021 | Corporate and Eliminations 2020 | Total 2021 | Total 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Net earnings (loss) | **896** | (293) | **465** | (379) | **450** | 268 | **(258)** | 236 | **1 553** | (168) |
| Adjustments for: | | | | | | | | | | |
| Depreciation, depletion, amortization and impairment | **1 237** | 1 058 | **129** | 835 | **243** | 207 | **21** | 20 | **1 630** | 2 120 |
| Deferred income taxes | **(11)** | (154) | **(2)** | (160) | **45** | (53) | **(28)** | 43 | **4** | (324) |
| Accretion | **61** | 55 | **15** | 13 | **1** | 1 | **—** | — | **77** | 69 |
| Unrealized foreign exchange gain on U.S. dollar denominated debt | **—** | — | **—** | — | **—** | — | **(25)** | (602) | **(25)** | (602) |
| Change in fair value of financial instruments and trading inventory | **8** | 49 | **42** | 5 | **—** | (9) | **—** | — | **50** | 45 |
| (Gain) loss on disposal of assets | **(4)** | 1 | **(227)** | — | **(1)** | (18) | **—** | 9 | **(232)** | (8) |
| Share-based compensation | **36** | 25 | **4** | 3 | **21** | 15 | **64** | 52 | **125** | 95 |
| Settlement of decommissioning and restoration liabilities | **(71)** | (41) | **1** | — | **(6)** | (7) | **—** | — | **(76)** | (48) |
| Other | **23** | 29 | **(2)** | (5) | **12** | 11 | **5** | 7 | **38** | 42 |
| Adjusted funds from (used in) operations | **2 175** | 729 | **425** | 312 | **765** | 415 | **(221)** | (235) | **3 144** | 1 221 |
| Change in non-cash working capital | | | | | | | | | **(529)** | (407) |
| Cash flow provided by operating activities | | | | | | | | | **2 615** | 814 |

## Measurement Conversions

Certain crude oil and natural gas liquids volumes have been converted to mcfe or mmcfe on the basis of one bbl to six mcf. Also, certain natural gas volumes have been converted to boe or mboe on the same basis. Any figure presented in mcfe, mmcfe, boe or mboe may be misleading, particularly if used in isolation. A conversion ratio of one bbl of crude oil or natural gas liquids to six mcf 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 wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, conversion on a 6:1 basis may be misleading as an indication of value.

## Common Abbreviations

The following is a list of abbreviations that may be used in this MD&A:

Measurement

| | |
|---|---|
| bbl | barrel |
| bbls/d | barrels per day |
| mbbls/d | thousands of barrels per day |
| boe | barrels of oil equivalent |
| boe/d | barrels of oil equivalent per day |
| mboe | thousands of barrels of oil equivalent |
| mboe/d | thousands of barrels of oil equivalent per day |
| mcf | thousands of cubic feet of natural gas |
| mcfe | thousands of cubic feet of natural gas equivalent |
| mmcf | millions of cubic feet of natural gas |
| mmcf/d | millions of cubic feet of natural gas per day |
| mmcfe | millions of cubic feet of natural gas equivalent |
| mmcfe/d | millions of cubic feet of natural gas equivalent per day |
| $m^3$ | cubic metres |
| MW | megawatts |
| MWh | megawatt hour |

Places and Currencies

| | |
|---|---|
| U.S. | United States |
| U.K. | United Kingdom |
| B.C. | British Columbia |
| $ or Cdn$ | Canadian dollars |
| US$ | United States dollars |
| £ | Pounds sterling |
| € | Euros |

Financial and Business Environment

| | |
|---|---|
| DD&A | Depreciation, depletion and amortization |
| WTI | West Texas Intermediate |
| WCS | Western Canadian Select |
| SCO | Synthetic crude oil |
| SYN | Synthetic crude oil benchmark |
| MSW | Mixed Sweet Blend |
| NYMEX | New York Mercantile Exchange |

## Forward-Looking Information

*This MD&A contains certain forward-looking statements and forward-looking information (collectively, forward-looking statements) within the meaning of applicable Canadian and U.S. securities laws 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 estimates; the current and potential adverse impacts of the COVID-19 pandemic, including the status of the pandemic and future waves; commodity prices and interest and foreign exchange rates; the performance of assets and equipment; capital efficiencies and cost savings; applicable laws and government policies; future production rates; the sufficiency of budgeted capital expenditures in carrying out planned activities; the availability and cost of labour, services and infrastructure; the satisfaction by third parties of their obligations to Suncor; the development and execution of projects; and the receipt, in a timely manner, of regulatory and third-party approvals. All statements and information that address expectations or projections about the future, and statements and information about 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 may be identified by words like "expects", "anticipates", "will", "estimates", "plans", "scheduled", "intends", "believes", "projects", "indicates", "could", "focus", "vision", "goal", "outlook", "proposed", "target", "objective", "continue", "should", "may", "potential", "future", "opportunity", "would", "priority" and similar expressions.*

*Forward-looking statements in this MD&A include references to:*

- *Suncor's strategy, including its priority to deliver competitive and sustainable returns to shareholders and its aim to maximize shareholder returns, its plans on how to achieve this strategy, its belief that its commitment to capital discipline, its balance sheet strength and financial health provides the foundation for its capital allocation framework by supporting long-term value creation and returns to shareholders, and Suncor's belief that it is well positioned to execute on these priorities due to the company's competitive advantages: financial strength, an industry-leading long-life, low-decline oil sands reserves base, an offshore business that provides geographically diversified cash flow, a highly efficient, tightly integrated downstream business supported by competitive sales channels and its investment in sustainability, technology and innovation;*
- *Suncor's belief that its growth and development plans will be focused on highly economical projects and initiatives that are synergistic with its core capabilities and will create long-term value for the company through free funds flow growth and Suncor's belief that it will be able to execute improvement strategies at existing assets and realize structural cost savings;*
- *the belief that Suncor's broad asset base and operational flexibility will allow Suncor to optimize the production of higher-value SCO in the upstream, while its extensive logistics assets and sales channels, enhanced by its trading and marketing expertise, drives additional value as equity barrels move down the value chain and that, through this midstream and marketing network and its geographical diversity, the company is able to maximize crude production and refinery utilization by securing sales outlets while receiving global-based pricing for the majority of its production;*
- *Suncor's aim to get the most out of its assets through a focus on operational excellence and its belief that focusing on investments that generate structural reductions to its capital requirements with a continued focus on improved productivity and reliability will drive down overall cost structures and sustainment capital requirements and are expected to help it achieve maximum value for its operations;*
- *the expectation that Suncor's assumption of operatorship of the Syncrude asset will be a critical step towards greater integration, efficiencies and competitiveness across all Suncor-operated assets in the region, further strengthening the company's regional oil sands advantage, the expectation that Suncor assuming operatorship will capture increased value for the owners through improved operational performance, efficiency and competitiveness and expectations regarding the realization of $100 million of annual gross synergies for the joint venture owners in 2022, with an additional $200 million expected to be realized through 2023-2024;*
- *statements about Suncor's strategic objective to be a net-zero GHG emissions company by 2050 and its near-term GHG emissions reduction goal, including Suncor's aim to substantially contribute to society's net-zero goals by reducing emissions across its base business, growing its low-emissions energy business and working with others to reduce emissions;*
- *Suncor's belief that its investments in the energy expansion will complement its existing core capabilities: increasing its low-carbon power generation, expanding into clean hydrogen production and growing its existing renewable liquid fuels business, and that unleashing the full potential of its people and technology will be critical in achieving its environmental, operational and financial goals;*
- *Suncor's expectation that it will operate the Fort Hills asset at average utilization rates of 90% throughout 2022;*
- *expectations regarding the acquisition, through Astisiy, of an equity interest in the Northern Courier Pipeline, including that it will provide the eight Indigenous communities with reliable income for decades;*
- *Suncor's expectations with respect to the Terra Nova project, including with respect to the Asset Life Extension Project that is expected to extend production life by approximately a decade, the expectation that there will be a safe and reliable*

*return to operations before the end of 2022 and the timing of maintenance work on the Floating, Production, Storage and Offloading facility;*

- *statements about Buzzard Phase 2, including the expectation that it will extend the production life of the existing field and reach its peak production of 12,000 boe/d gross (approximately 3,500 boe/d net to Suncor) in 2022;*
- *statements regarding the Oil Sands Pathways to Net Zero alliance, including its aims, expectations regarding timing and the expected pathways the alliance will take to address GHG emissions;*
- *the aim, objectives and potential benefits of Suncor's clean energy investments, including Enerkem Inc., LanzaJet, Inc., Svante Inc. and the Varennes Carbon Recycling facility, and Suncor's belief that these investments complement Suncor's existing product mix and demonstrate Suncor's involvement in the evolving global energy expansion and are key to Suncor's emissions reduction goal;*
- *that Suncor will remain disciplined in its plans to reduce debt towards its 2025 targeted net debt range of $12 – $15 billion and 2030 targets and the company's plans to allocate its annual free funds flow, after its dividend, evenly between share buybacks and debt reductions;*
- *statements about Suncor's incremental free funds flow target by 2025, including the projects that are expected to help Suncor meet this target;*
- *the expectation that capital discipline will continue to focus on asset sustainment and maintenance projects designed to maintain safe and reliable operations, as well as advancing high-value economic investment projects, and will continue to invest in projects that are economically robust, sustainably focused and technologically progressive;*
- *Suncor's expectation that it will continue to advance its digital transformation which are expected to contribute to Suncor's incremental free funds flow target and facilitate the transition to the workplace of the future, bolster operational excellence and drive additional value;*
- *Suncor's expectations for the coke-fired boiler replacement project, including the expectation that the cogeneration units will provide reliable steam generation required for Suncor's extraction and upgrading operations to generate electricity that will be transmitted to Alberta's power grid and provide a lower-carbon power alternative while delivering value to Suncor and the expectation that it will be in-service between 2024* and *2025;*
- *statements about the sanctioned Forty Mile Wind Power Project, including the expectation that the project will generate significant value through sustainable power generation and retention of the generated carbon credits for utilization in Suncor's upstream business and the belief that the project will be completed and operational in late 2022, contributing to the company's incremental free funds flow and emissions reduction goals while meeting growing customer demand for lower-carbon energy;*
- *expectations for Suncor's partnership with ATCO Ltd. on a potential world-scale clean hydrogen project, including the expected benefits and timing estimates;*
- *expectations for the Oil Sands segment, including the expectation that Suncor will continue to advance incremental debottlenecks to maximize the value of the Firebag asset, which will depend on economic conditions supported by integrated well pad development and Solvent SAGD technologies, the deployment of digital mine optimization and AHS and the expected benefits therefrom, and the potential development opportunities that may support future in situ production, including Meadow Creek, Lewis, OSLO, Gregoire, Chard and Kirby;*
- *the expectation that Suncor will remain focused on operational excellence and increasing reliability and utilization across its assets, will continue to operate in a safe, reliable manner, while optimizing production and remain committed to maximizing utilization of our upgraders to produce the highest-value barrels, which will be further enabled by optimizing transfers on the interconnecting pipelines between Suncor's Oil Sands Base and Syncrude;*
- *the expectation that the Mildred Lake Extension project will sustain Syncrude's current production levels by extending the life of the North Mine using existing extraction and upgrading facilities while minimizing the environmental impacts of building infrastructure and that the project will come online in late 2025;*
- *expectations for the E&P segment, including the segment's focus primarily on low-cost projects that deliver significant returns, cash flow and long-term value, and ongoing development activities offshore the east coast of Canada and in the U.K. North Sea intended to leverage existing facilities and infrastructure to provide incremental production, which are planned to continue in 2022;*
- *expectations for the R&M segment, including that the company will continue to pursue midstream opportunities and the anticipated benefits therefrom, the expectation that refinery throughput will return to 2019 levels, which will position the company to capture improving margins and demand, and that the R&M capital program in 2022 will be heavily weighted towards asset sustainment and maintenance activities focused on ongoing sustainment and enhancement to refinery operations and the company's plans to make economic investments in expansions of the company's retail and wholesale network; and*
- *the expectation that well pads under construction will maintain existing production levels at Firebag and MacKay River in future years as production from existing well pads declines.*

*The anticipated duration and impact of planned maintenance events, including:*

- *planned turnaround at Firebag, annual coker maintenance at Oil Sands Base Upgrader 2, maintenance and turnaround at Syncrude and maintenance at Fort Hills; and*

- *planned maintenance at the Sarnia, Edmonton and Montreal refineries.*

*Also:*

- *economic sensitivities;*
- *Suncor's belief that its indicative 5-2-2-1 index will continue to be an appropriate measure against Suncor's actual results;*
- *the company's priority regarding returning value to shareholders and strengthening the balance sheet, and the company's ongoing ability to generate cash flow and commitment to return cash to shareholders;*
- *statements about Suncor's share repurchase program, including its belief that, depending on the trading price of its common shares and other relevant factors, purchasing its own shares represents an attractive investment opportunity and is in the best interests of the company and its shareholders, and Suncor's expectation that the decision to allocate cash to repurchase shares will not affect its long-term strategy;*
- *the company's belief that it does not have any guarantees or off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on the company's financial condition or financial performance, including liquidity and capital resources;*
- *Suncor's planned 2021 capital spending program of $4.7 billion and the belief that the company will have the capital resources to fund its planned 2021 capital spending program and to meet current and future working capital requirements through cash and cash equivalents balances, cash flow provided by operating activities, available committed credit facilities, issuing commercial paper and, if needed, accessing capital markets;*
- *Suncor's expectations as to how its 2022 capital expenditures will be directed and the expected benefits therefrom;*
- *the objectives of the company's short-term investment portfolio and the expectation that the maximum weighted average term to maturity of the company's short-term investment portfolio will not exceed six months, and all investments will be with counterparties with investment grade debt ratings;*
- *management of debt levels continuing to be a priority for Suncor given the company's long-term growth plans and future expected volatility in the commodity pricing environment, and Suncor's belief that a phased and flexible approach to existing and future projects should assist Suncor in maintaining its ability to manage project costs and debt levels;*
- *Suncor's intention to adopt certain accounting standards, amendments and interpretations when they become effective; and*
- *expectations with respect to changes to law and government policy.*

*Forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties, some that 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 the company's reportable operating segments, specifically Oil Sands, E&P and R&M, may be affected by a number of factors.*

*Factors that affect Suncor's Oil Sands segment include, but are not limited to, volatility in the prices for crude oil and other production, and the related impacts of fluctuating light/heavy and sweet/sour crude oil differentials; changes in the demand for refinery feedstock and diesel fuel, including the possibility that refiners that process the company's proprietary production will be closed, experience equipment failure or other accidents; Suncor's ability to operate its Oil Sands facilities reliably in order to meet production targets; the output of newly commissioned facilities, the performance of which may be difficult to predict during initial operations; Suncor's dependence on pipeline capacity and other logistical constraints, which may affect the company's ability to distribute products to market; Suncor's ability to finance Oil Sands growth and sustaining capital expenditures; the availability of bitumen feedstock for upgrading operations, which can be negatively affected by poor ore grade quality, unplanned mine equipment and extraction plant maintenance, tailings storage, and in situ reservoir and equipment performance, or the unavailability of third-party bitumen; changes in operating costs, including the cost of labour, natural gas and other energy sources used in oil sands processes; and the company's ability to complete projects, including planned maintenance events, both on time and on budget, which could be impacted by competition from other projects (including other oil sands projects) for goods and services and demands on infrastructure in Alberta's Wood Buffalo region and the surrounding area (including housing, roads and schools).*

*Factors that affect Suncor's E&P segment include, but are not limited to, volatility in crude oil and natural gas prices; operational risks and uncertainties associated with oil and gas activities, including unexpected formations or pressures, premature declines of reservoirs, fires, blow-outs, equipment failures and other accidents, uncontrollable flows of crude oil, natural gas or well fluids, and pollution and other environmental risks; adverse weather conditions, which could disrupt output from producing assets or impact drilling programs, resulting in increased costs and/or delays in bringing on new production; political, economic and socio-economic risks associated with Suncor's foreign operations, including the unpredictability of operating in Libya due to ongoing political unrest; and market demand for mineral rights and producing properties, potentially leading to losses on disposition or increased property acquisition costs.*

*Factors that affect Suncor's R&M segment include, but are not limited to, fluctuations in demand and supply for refined products that impact the company's margins; market competition, including potential new market entrants; the company's ability to reliably operate refining and marketing facilities in order to meet production or sales targets; and risks and uncertainties affecting construction or planned maintenance schedules,* *including the availability of labour and other impacts of competing projects drawing on the same resources during the same time period.*

*Additional risks, uncertainties and other factors that could influence the 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 (including as a result of demand and supply effects resulting from the COVID-19 pandemic and the actions of OPEC+); fluctuations in supply and demand for Suncor's products; the successful and timely implementation of capital projects, including growth projects and regulatory projects; risks associated with the development and execution of Suncor's projects and the commissioning and integration of new facilities; the possibility that completed maintenance activities may not improve operational performance or the output of related facilities; the risk that projects and initiatives intended to achieve cash flow growth and/or reductions in operating costs may not achieve the expected results in the time anticipated or at all; competitive actions of other companies, including increased competition from other oil and gas companies or from companies that provide alternative sources of energy; labour and material shortages; actions by government authorities, including the imposition or reassessment of, or changes to, taxes, fees, royalties, duties and other government-imposed compliance costs, and mandatory production curtailment orders and changes thereto; changes to laws and government policies that could impact the company's business, including environmental (including climate change), royalty and tax laws and policies; the ability and willingness of parties with whom Suncor has material relationships to perform their obligations to the company; the unavailability of, or outages to, third-party infrastructure that could cause disruptions to production or prevent the company from being able to transport its products; the occurrence of a protracted operational outage, a major safety or environmental incident, or unexpected events such as fires (including forest 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 technology and infrastructure by malicious persons or entities, and the unavailability or failure of such systems to perform as anticipated as a result of such breaches; security threats and terrorist or activist activities; the risk that competing business objectives may exceed Suncor's capacity to adopt and implement change; risks and uncertainties associated with obtaining regulatory, third-party and stakeholder approvals outside of Suncor's control for the company's operations, projects, initiatives, and exploration and development activities and the satisfaction of any conditions to approvals; the potential for disruptions to operations and construction projects as a result of Suncor's relationships with labour unions that represent employees at the company's facilities; the company's ability to find new oil and gas reserves that can be developed economically; the accuracy of Suncor's reserves, resources and future production estimates; market instability affecting Suncor's ability to borrow in the capital debt markets at acceptable rates or to issue other securities at acceptable prices; maintaining an optimal debt to cash flow ratio; the success of the company's risk management activities using derivatives and other financial instruments; the cost of compliance with current and future environmental laws, including climate change laws; risks relating to increased activism and public opposition to fossil fuels and oil sands; risks and uncertainties associated with closing a transaction for the purchase or sale of a business, asset or 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; risks associated with joint arrangements in which the company has an interest; risks associated with land claims and Indigenous consultation requirements; the risk that the company may be subject to litigation; the impact of technology and risks associated with developing and implementing new technologies; 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 are discussed in further detail throughout this MD&A, including under the heading Risk Factors, and the company's 2021 AIF and Form 40-F on file with 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.*

*The forward-looking statements contained in this MD&A are made as of the date of this MD&A. Except as required by applicable securities laws, we assume no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing risks and assumptions affecting such forward-looking statements, whether as a result of new information, future events or otherwise.*