

Message to Shareholders



Mark Little
President and
Chief Executive Officer

2021 was a pivotal year for Suncor, which saw us clearly articulating our strategy, strengthening our balance sheet and re-focusing on operational excellence. Reliable performance and strong execution across all assets during the year was, however, impacted by late December operational incidents at Syncrude and Firebag. We continue to enhance our integrated business model, optimizing the value captured from every barrel produced as demonstrated by increased realizations and margins during the year.

When combined with higher crude oil and refined product realizations from the improved business environment, we generated adjusted operating earnings of \$3.8 billion and \$10.3 billion in adjusted funds from operations – the second-highest adjusted funds from operations in the company's history. On a per share basis, fourth quarter adjusted funds from operations were the highest ever

in the company's history – 11% higher than the previous record achieved in the first quarter of 2014. We're focused on growing the business through investments in high-return initiatives that enhance margins, improve business processes and optimize performance.

Confidence in our ability to generate sustainable and increasing cash flow led us to accelerate debt reduction and our share repurchase program while doubling our dividend. In doing so, we delivered competitive returns to our investors, and returned 38% of our adjusted funds from operations or 10% cash yield to shareholders based on our 2021 average market capitalization, in the form of dividends and share buybacks.

The benefits of our **integrated model**



**Long-life,
low-decline
assets**



**Integrated value chain
facilitates production of
higher-value products**



**Midstream and logistics
network captures
global-based pricing**



**Maximize refinery
output through
strong sales channels**

Focus on improving operations and increasing cash flow generation

We increased annual production by approximately 5.3% to 731,700 barrels of oil equivalent per day (boe/d). The completed debottlenecking project at Firebag and increased production from Mackay River, led to Oil Sands production of 644,200 boe/d, 9% higher than 2020 and the second-highest Oil Sands production on record – even as we completed the largest annual maintenance program in the company's history. At the end of the year, we resumed two-train operations at Fort Hills and we're on track to operate the Fort Hills asset at average utilization rates of 90% throughout 2022. We upgraded 73% of production to higher-value synthetic crude oil, and leveraged the integration of Suncor's upstream and downstream businesses to maximize value.

Our Exploration and Production (E&P) assets averaged 87,500 boe/d production, reflecting natural reservoir

declines and the sale of our interest in Golden Eagle. The E&P business delivered \$1.5 billion in adjusted funds from operations and continues to provide us with geographic diversification across high-margin, low-risk basins and consistent cash flow. In 2021, we restructured the Terra Nova project ownership and moved forward with the Asset Life Extension (ALE) Project. We anticipate a safe return to operations before the end of 2022.

We also reached a conditional agreement to increase our interest in White Rose (by 12.5% to approximately 40%), subject to a number of conditions including an economic restart decision for the West White Rose project by mid-2022. Our investment decisions in these projects are based on their capacity for accretive free funds flow generation and high returns.

25+ years
proved + probable
reserves life index

~600 mboe/d
heavy upgrading
nameplate capacity

~465 mboe/d
refinery nameplate
capacity

~1,900
Petro-Canada™ retail
and wholesale sites





Record Oil Sands Adjusted Funds From Operations



Record production from In Situ



Syncrude operatorship



Our downstream business continues to be industry-leading in both performance and cash flow generation. As consumer demand recovered during the year, our refinery crude throughput of 415,500 barrels per day (bbls/d) helped realize \$3.3 billion in adjusted funds from operations. Refinery utilization of 89% was over 12% higher than the Canadian average and approximately 4% higher than the North American average¹. Strong downstream performance contributes to our ability to deliver reliable energy and be there for our customers – like we were during the floods in British Columbia – as we fulfil our purpose: to provide trusted energy that enhances people’s lives, while caring for each other and the earth.

Our operational excellence journey was advanced through a benchmarking exercise – led by our operations leaders

over a year ago – in which we evaluated ourselves against leading global supermajors. The resulting insights prompted us to make key changes to strengthen our processes and talent moving forward. These included restructuring the senior leadership talent on the executive team to include more people with deep operational experience at the table. We also created a stronger and centralized Operational Risk Management organization, led by experienced operators to centralize control and leadership for analyzing process hazards and driving improvements and standardization. Even though it is still early days in our journey, these are fundamental changes to increase competitiveness and drive excellence. A fatality at our Oil Sands Base plant in early 2022 underscores the critical importance of this work.



Structural Downstream Advantage



Geographical advantage



Feedstock flexibility



Heavy crude capabilities



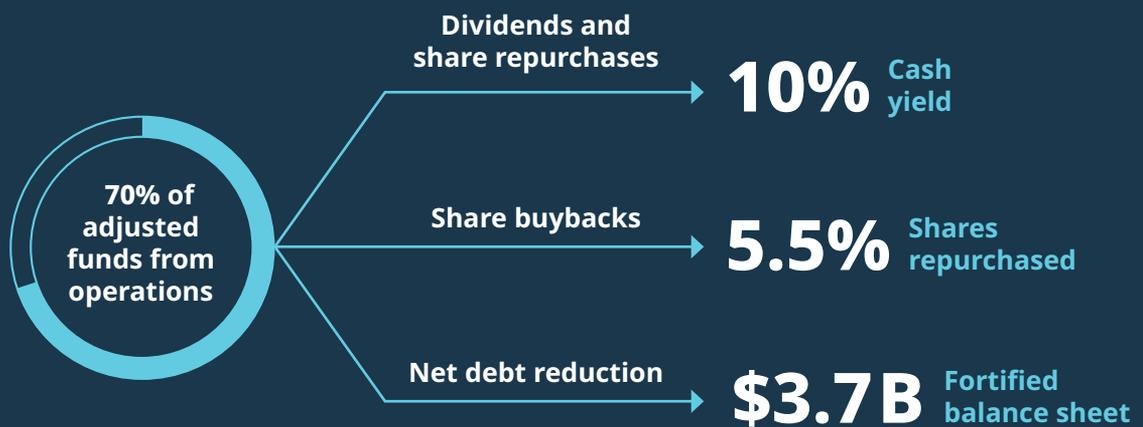
Competitive sales channels

Competitive returns for shareholders

The operational and financial achievements of 2021 translated into a significant improvement in the strength of Suncor's balance sheet. We were able to reduce our net debt to 2019 levels, a reduction of 18% or \$3.7 billion. And we delivered competitive shareholder returns, sending back \$3.9 billion through share repurchases and dividends. We increased the dividend by 100% in the fourth quarter of 2021, to an annualized rate of \$1.68 per common share –

and increased our share repurchase program, repurchasing \$2.3 billion of our common shares (5.5% of the company's common shares or 84 million common shares) during 2021. The progress made during the year and management's confidence in the company's ability to generate sustainable and increasing cash flow and deliver on our strategy were behind these decisions.

Maximized shareholder returns and fortified balance sheet





The road to \$2.15B free funds flow growth – 9 strategic initiatives

- | | | |
|---|---|---|
| <ul style="list-style-type: none"> 1 Supply, marketing and trading optimization 2 Suncor/Syncrude interconnecting pipelines 3 Tailings management – Permanent Aquatic Storage Structure (PASS) | <ul style="list-style-type: none"> 4 Mine optimization – Digital mine & autonomous haulage systems (AHS) 5 Supply chain management 6 Business process transformation | <ul style="list-style-type: none"> 7 Co-generation at Base Plant & Forty Mile Wind Power Project 8 Asset debottlenecking 9 Digital technology adoption – leveraging big data to create value |
|---|---|---|

Structural, long-term improvements drive value

Despite the volatility of recent times, we remain committed to the structural long-term improvements and strategic investments we are making to our business to increase productivity and lower our overall cost structure – investments central to both our 2021 performance and our long-term resiliency. Becoming the operator of Syncrude on September 30, was a critical step in this journey – driving improved performance, greater integration, efficiencies and competitiveness across our Oil Sands assets. In total, we expect to capture \$300 million of annual gross synergies and we’re on track to realize \$100 million of these annual gross synergies in 2022. Physically connecting these assets – via the interconnecting pipelines between the Syncrude site and Oil Sands Base – also adds to the company’s operational flexibility and will support stronger reliability.

As part of our evolution, we continue to harness digital technology capabilities to improve the safety, reliability, productivity and environmental performance of our operations. Growing our digital capability means we can use real-time data analytics to improve reliability, create

consistent processes enterprise-wide to drive savings and make better and faster decisions. An example of this work is our business process transformation initiative, as we leverage technology to standardize our data and processes into one overarching system. Standard systems and processes may appear mundane, but the savings from this initiative are significant. Annual free funds flow generation is expected to increase by \$250 million by 2023, largely resulting from efficiencies realized as automated systems replace complex and time-consuming manual processes and eliminate organizational silos.

The interconnecting pipelines and digital transformation represent components of our long-term strategy to grow the business by focusing not on mega-projects, but on low-capital intensity investment that helps reduce costs and improve margin capture. Exiting 2021, we have realized approximately \$465 million in annual incremental value from these initiatives and expect to build on this value with an additional \$400 million in 2022.



Energy pathways, partnerships support long-term resilience

2021 also saw us formalize our strategic objective to be a net-zero GHG emissions company by 2050. A company-wide team, with support and input from Suncor’s Board of Directors, did a ground-up refresh and review of the company’s entire business to develop a concrete – and economic – path forward. The goal is to advance pragmatic and highly economic investments in line with – or synergistic with – our core capabilities. We identified areas where we have existing lines of business and expertise that we can leverage – for example in hydrogen, electricity and low-carbon fuels – alongside ways to lower emissions and costs in our base business. We also had to meet two key criteria: to drive investor returns by improving the cost performance and margin capture of our base business while strengthening our overall environmental performance.

Our strategy outlines three complementary approaches to get to net-zero: reducing emissions from our base business through energy efficiency, fuel switching and carbon capture and storage; expanding lines of business in the low emissions power, renewable fuels and hydrogen sectors; and working with our customers, suppliers and other stakeholders on reducing emissions. Our competitive advantage is our ability to leverage our existing experience and expertise across all three avenues.

In addition, we’re partnering with others to help as we look to develop our reliable and abundant sources of energy responsibly and expand into other promising opportunities to increase shareholder returns. This past year saw us announce a new proposed partnership with ATCO to advance a world-scale clean hydrogen project, and we increased our investment in carbon capture and storage technology with an equity investment in Svante Inc. and the Varennes Carbon Recycling biofuels facility. We also were a founding member of the new Oil Sands Pathways to Net Zero alliance, a consortium of Canadian oil sands companies with a common interest to find realistic and workable solutions to the challenge of climate change.

A partnership of which I am particularly proud is Astisiy, our historic collaboration between Suncor and eight Indigenous communities in the Regional Municipality of Wood Buffalo that acquired a 15% stake in the Northern Courier Pipeline. The pipeline, which connects the Fort Hills asset to Suncor’s East Tank Farm asset, is now operated by Suncor. This investment and agreement, unprecedented in this industry, is the result of years of collaboration and negotiations among all partners, and is expected to provide long-term, stable revenues that will benefit the communities for decades to come.

Historic partnership between First Nations, Métis communities and Suncor

- Athabasca Chipewyan First Nation
- Chipewyan Prairie First Nation
- Conklin Métis Local 193
- Fort Chipewyan Métis Local #125
- Fort McKay Métis Nation
- McMurray Métis
- Fort McMurray #468 First Nation
- Willow Lake Métis Nation



Looking ahead

We enter 2022 with clear objectives and remain steadfast in our focus on safety, operational excellence, capital and cost discipline, increasing shareholder returns and delivering a more resilient future for Suncor.

We anticipate continued strong markets driven by rising consumer demand and are targeting upstream production of 750,000 to 790,000 boe/d, approximately 5% higher than 2021 levels.

We'll continue to invest in the business to grow cash flow with a planned capital spend of \$4.7 billion – 6% lower than our previously announced \$5 billion capital program ceiling. Spending will be directed towards sustaining projects, such as planned maintenance and tailings optimizations, and economic investments in the Base Plant Cogeneration, Forty Mile Wind Power and Terra Nova Asset Life Extension projects and In Situ well pads that are expected to generate high returns. We remain committed to creating shareholder value. We plan to do this by strengthening our balance sheet through sustainable dividend increases, ongoing debt reduction and continued share buybacks from excess free funds flow.

As I close, I would like to express my gratitude to Suncor's Board of Directors who challenge the executive leadership team to improve our operations, financial performance and responsibly grow, and who are outstanding stewards of stakeholders' interests. In so doing, I remember and pay tribute to Mel Benson, a member of the Beaver Lake Cree Nation and a former Suncor Board member for 21 years, who we lost this past October.

I remember and pay tribute to Mel Benson, a member of the Beaver Lake Cree Nation and a former Suncor Board member for 21 years, who we lost this past October.

To the Suncor team, thank you for your hard work, innovation and for continuing to evolve and learn as we work with our diverse stakeholders. When I look at our people – and what we have already achieved – I know we can create and deliver strong value for you, our shareholders. On behalf of all of us at Suncor, thank you for your continued support.



Mark Little

President and Chief Executive Officer
Suncor Energy

