

Letter from Syncrude's Leaders

As any acrobat who's ever walked a tightrope can attest, balance is critical not only to a successful performance, but to survival itself.

Finding such equilibrium is also essential to Syncrude's long-term success. We must work to deliver attractive financial returns and meaningful economic benefits to Canadians while respecting the needs of our environment, our people and our communities.

While these goals are not easily achieved, we are making substantial progress toward them.

In 2003, for example, our *Syncrude Sweet Blend* product delivered a very competitive pro forma net-back of \$19.18 per barrel, while our positive impact on Canada's economy reached an all-time high of \$4.2 billion. We also earned recognition for excellence in land reclamation research and practices, enhanced our reputation as an employer of choice, and were extensively involved in our communities.

All of these topics are discussed in detail in the following pages of our 2003 Sustainability Report.

For us, a key development in 2003 was a new understanding brought about in part by the many operational challenges we have encountered in recent years. Plant upsets impact production, profits, the environment and people. Their unwelcome occurrence really drove home the value of reliability in a sustainable enterprise.

Accordingly, Syncrude has adopted a new sustainability credo, which promises *responsible development built on a foundation of operational excellence*. Our experience has shown us that safety, reliability and profitability must be the foundation upon which all other objectives rest.

Indeed, as a company that is one of Canada's largest producers of crude oil, Syncrude also runs one of the largest mining operations in the country. The process by which we produce our product is complex, and draws on technologies from the mining, refining and utilities sectors.

To some people, Syncrude's work is a marvel of engineering achievement and technological know-how. To others, it illustrates the challenges inherent in balancing various stakeholder interests.

That's why Syncrude's sustainability efforts focus on operational excellence. We are working to bridge diverse points of view about the value of oil sands development and the benefits it brings to our stakeholders. And we are doing this through management systems and actions that engage people and technology in producing crude oil, in minimizing resource inputs, and in reducing potentially adverse environmental impacts.

Syncrude's Vision, Values and Guiding Principles also serve to foster a more sustainable operation. Among other notions, these speak to our desire to be a leader in all of our key activity areas, and to do better by harnessing the power of people and technology. Moreover, they help us focus on doing what is right.

We feel strongly that increasing our production of crude oil to meet the energy needs of a growing economy is the right thing to do. So is our plan to improve our product's environmental attributes, as are the steps we are taking to turn waste streams into useful products. These integrated moves will allow Syncrude to capture volume cost efficiencies and ensure that our product and the way in which it is produced keep pace with the expectations of our stakeholders.

Syncrude's expansion program also will allow us to continue contributing to local, regional and national economies. Since we started producing crude oil in 1978, Syncrude has made payments exceeding

\$6.1 billion to governments for royalties, payroll and municipal taxes. In 2003, the company's procurement of goods and services reached a new high of \$3.3 billion. And today, nearly one-quarter of our total economic impact provides direct benefit to the Regional Municipality of Wood Buffalo.

During the year, Syncrude's work with the Aboriginal community made notable advancements, particularly in the education area. Cooperative programs are fostering learning success among Aboriginal students at all levels in the education system, and are enhancing access to career-oriented learning at the high school and post-secondary levels. These initiatives will help ensure the continued presence of Aboriginal people in all areas of Syncrude's workforce and our supply chain.

As much as regional stakeholders are demonstrating increased capacity to benefit from Syncrude's positive economic impacts, they also are contributing in increasing ways to the management of social and environmental effects. Independent multi-party mechanisms are helping build more cohesive and vibrant communities and are gathering and sharing comprehensive scientific data to enable better understanding of the human and industrial impacts on air, land and water. Syncrude is an active participant in these endeavours, providing both financial resources and professional expertise.

Syncrude corporate leadership extends to corporate responsibility initiatives such as the Mining Association of Canada's *Towards Sustainable Mining* program, the Canadian Association of Petroleum



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Producers Stewardship program, the Conference Board of Canada's Corporate Social Responsibility knowledge area, and the Alberta Chamber of Resources Aboriginal Programs project. These efforts help ensure widespread exposure to Syncrude's learning and experience around sustainability.

No discussion of Syncrude's progress toward sustainability would be complete without mention of our employees. While we had a tough year from an operations perspective, their efforts ensured another year of environmental progress and outstanding safety performance, and are largely responsible for the many reliability initiatives that will, in the future, foster sustained excellence.

In recognition of their exemplary contributions, Syncrude aims to provide a workplace that is respectful and challenging, as well as opportunities that can lead to promotion or new work experiences, while paying salaries and benefits that are rated among the best in our class. This approach seems to be working. Employee-initiated turnover is just 1.5 per cent while the acceptance rate on job offers to new hires is 90 per cent. More than 1,400 people have joined our workforce over the last five years.

As we bring this letter to a close, we invite readers to peruse this report for more information on how we are working to keep everything in balance, and to provide us with your feedback. The views of stakeholders like you reflect the true measure of our success.

Marcel Coutu
Chairman

Charles Ruigrok
Chief Executive Officer

Jim Carter
President and Chief Operating Officer