

Governance and Committees

Governance and Management Committee

Syncrude Canada Ltd. is a private company incorporated under the Business Corporations Act of Alberta and is an organization similar to other corporations with a board of directors.

Syncrude's by-laws stipulate that shares in the corporation may only be held by the Owners in proportion to their interest in the Syncrude Joint Venture.

The structure and governance of the Syncrude Project includes a Management Committee which meets regularly and supervises the project on behalf of the Owners. Each Owner has two representatives, one of which is an alternate on this committee and votes its percentage interest in the project.

The Management Committee reviews and approves the Syncrude Project's strategic plans and objectives and annual budget. It also approves major capital appropriations. In addition, it reviews overall performance, both operationally and financially. The Management Committee is chaired by one of the Owners' representatives. The Management Committee's governance process is consistent with current industry business standards.

Board of Directors

Syncrude's Board of Directors is responsible for governing the statutory affairs of the corporation. It meets formally on an annual basis to review the financial results of the corporation. The Board functions on a more frequent basis through several active committees including a CEO Committee, an Environment, Health & Safety Committee, an Audit and Pension Committee and a Compensation Committee.

The Board and its committees are composed of directors appointed by the Joint Venture Owners in their capacity as shareholders of the corporation.

The Board of Directors takes its duties and responsibilities seriously with respect to the principles of good corporate governance. It is the Board's view that its approach to directing the business of Syncrude is comprehensive, effective and consistent with the generally accepted standards of Canadian corporate governance.

Board Committees

The governance of the Syncrude Board of Directors was recently enhanced with the creation of a CEO Committee of the Board (consisting of the most senior executive of each Syncrude Canada Ltd. shareholder company). The primary role of the CEO committee is to oversee the performance of Syncrude's CEO and COO, oversee compensation of company Officers, ensure sound management ranks and succession plans, and review and provide input to Syncrude's annual Strategic Business Plan.

The Environment, Health & Safety Committee consists of not fewer than four directors. The role of this committee is to confirm that policies, procedures and controls with respect to environment, health and safety issues are in place and are implemented, maintained and audited. In addition, the committee monitors and assesses corporate performance in the area of environment, health and safety matters and makes recommendations where appropriate.

The mandate of the Audit Committee was broadened to incorporate overall responsibility for Syncrude's Pension Plan and renamed the Audit and Pension Committee. In addition, this committee retained responsibility for reviewing the adequacy and scope of Syncrude's internal control systems, as well as the scope and results of both internal and external audit efforts. At every meeting of the Audit and Pension Committee, the committee holds private and separate sessions with the internal auditors, external auditors and Syncrude management. The committee also provides oversight on any other matters related to Syncrude's financial affairs, policies and practices. The Audit and Pension Committee consists of not fewer than three directors. All members of the Audit and Pension Committee are independent and are neither officers nor employees of Syncrude Canada Ltd.

The Compensation Committee consists of not fewer than four directors and deals with matters related to compensation and benefits, senior management succession planning, and other issues concerning human resources programs.