



P E T R O - C A N A D A
P O L I C I E S

Topic: PREVENTION OF IMPROPER PAYMENTS

Date: 05/05

Approved: President and Chief Executive Officer

DEFINITIONS

"**Agent**" means a person, a corporation or other entity retained by the Company to represent its business interests or act on its behalf in a particular country.

"**Bribe**" means any payment, promise to pay, or authorization of the payment of any money, gift, reward, advantage or benefit of any kind, that has been given or offered in order to influence the making or not making or implementation of a decision or act by the receiving party (whether in the public/government or private/business sector).

"**Chief Compliance Officer**" means the individual responsible for this corporate compliance Policy, appointed pursuant to Section 2(a).

"**Company**" means Petro-Canada and its majority-owned subsidiaries.

"**Compliance Committee**" means the committee established pursuant to Section 2(d).

"**Contractor**" means a person, a corporation or other entity retained to supply materials, labour or services to the Company.

"**Employee**" means a permanent or temporary employee of the Company, or a Contractor or employee of a Contractor.

"**Facilitating Payment**" means a payment, promise to pay, or authorization of a payment made solely to expedite or secure the performance of routine government actions such as:

- (i) obtaining licences, permits and other official documents to qualify to do business in a foreign country;
- (ii) processing governmental papers, such as visas and work permits;
- (iii) providing or obtaining police protection, telephone service, utilities, and mail services;
- (iv) loading or unloading cargo, inspection of goods and protecting perishable goods from deteriorating.

"Improper Payment" means a Bribe, Kickback or Facilitating Payment.

"Kickback" means the payment, promise to pay, or the authorization of the payment of a portion of contract consideration to another contracting party. This includes the improper utilization of sub contracts, purchase orders, consulting agreements or gifts to channel payments to principals, employees or other representatives of another contracting party, or to their relatives or business associates.

"Policy" means this Policy for the Prevention of Improper Payments.

"Public Official" means:

- (a) any person employed or appointed by a government, state, province, municipality, or public international organization;
- (b) any owner, director, officer or employee of an organization that performs a governmental function;
- (c) any person employed or appointed by an agency, department, corporation, board, commission or enterprise that is controlled by a government, state, province, municipality, or public international organization;
- (d) any person acting in an official capacity for a government, state, province, municipality, or public international organization, or for an agency, department, corporation, board, commission or enterprise that is owned, in whole or in part, or controlled by a government, state, province, municipality, or public international organization;
- (e) any person acting for or on behalf of a government, state, province, municipality, or public international organization, or for an agency, department, corporation, board, commission or enterprise that is owned, in whole or in part, or controlled by a government, state, province, municipality, or public international organization;

- (f) elected officials, candidates for public office, political parties, and officers, employees, representatives and agents of political parties; or
- (g) a relative of any person described in (a), (b), (c) (d), (e) or (f) above.

2. COMPLIANCE

- (a) Petro-Canada's Board of Directors shall appoint a person to the position of Chief Compliance Officer.
- (b) Petro-Canada's Board of Directors shall review compliance with this Policy on an annual basis.
- (c) The Chief Compliance Officer shall oversee this Policy and shall report directly to Petro-Canada's CEO and Board of Directors.
- (d) To assist him or her in overseeing this Policy, the Chief Compliance Officer may appoint one or more individuals to a Compliance Committee, which he or she shall chair. Members of the Compliance Committee will report directly to the Chief Compliance Officer.

3. RESPONSIBILITIES OF THE CHIEF COMPLIANCE OFFICER

The Chief Compliance Officer or the Compliance Committee, under his or her supervision, shall be responsible for:

- (a) establishing and maintaining the practices and procedures, necessary to implement this Policy and prevent any violation of its provisions;
- (b) disseminating this Policy to all Employees;
- (c) implementing a formal training program on the substance of this Policy for all Employees in Petro-Canada's International Business Unit and for relevant Employees outside of the International Business Unit as the Chief Compliance Officer deems appropriate;
- (d) implementing an on-line training program on the substance of this Policy to be completed by all Employees job level 13 and above;
- (e) procuring, from each Employee, on a biannual basis, a Certification of Compliance, substantially in the form of Exhibit A to this Policy. Any Certification of Compliance in which question 2 or 3 is answered in the affirmative shall be investigated by the Chief Compliance Officer;

- (f) obtaining a Certification of Compliance from each newly hired Employee confirming that he or she have read, understand, and will act in accordance with the Policy and that he or she has not violated the laws covered in the Policy in the past;
- (g) establishing, maintaining and making accessible to all Employees, an ethics hotline telephone number for the reporting, including anonymously if preferred, of violations of this Policy.

4. IMPROPER PAYMENTS

The Company, its Employees and Agents shall not, either directly or through an Agent:

- (a) demand, solicit or accept an Improper Payment;
- (b) promise, offer or pay, or authorize the promise, payment or making of an offer to pay an Improper Payment.

In particular, the Company, its Employees and Agents shall not, either directly or through an intermediary pay or offer anything of value to a Public Official, in order to influence any act within the recipient's official capacity, or to induce the recipient to violate its, his or her lawful duty, or to induce the recipient to use its, his or her influence with any level of government to affect or influence any act or decision of such government for the purpose of obtaining, retaining or directing business, or any undue advantage.

5. AGENTS

- (a) Due Diligence

Prior to the Company retaining an Agent, the Chief Compliance Officer or the Compliance Committee, under his or her supervision, shall research and document in writing the reputation, background and past performance of the prospective Agent in the following areas:

- (i) *Management Information.* Identify the directors, officers and other members of management of the proposed Agent, where applicable and determine if any of them are Public Officials.
- (ii) *Ownership Information.* Identify the stockholders, partners or other principals of the proposed Agent, where applicable and determine if any of them are Public Officials.

- (iii) *Affiliations.* Identify the business and government affiliations of the proposed Agent, its, his or her family and close associates.
- (iv) *Qualifications.* Confirm the relevant qualifications of the proposed Agent or its, his or her management personnel to perform the services required in the contract.
- (v) *Financial Information.* Examine the audited or unaudited financial statements of the proposed Agent, where applicable, and confirm its, his or her ability to perform the services required in the contract.
- (vi) *Reputation.* Obtain information concerning the reputation of the Agent particularly with respect to a history or demonstrated tendency to make Improper Payments.
- (vii) *References.* Obtain character and financial reference checks on the proposed Agent.
- (viii) *Local Law.* Confirm that the relationship with the Agent and the performance by the Agent of the services required in the contract are consistent with local law.
- (ix) *Compensation.* Confirm that the level of compensation is reasonable, given the experience of the Agent, the country where services are to be performed, the expected results, and the amount and difficulty of work to be performed.
- (x) *Employee Certification.* The Employee who is proposing retention of the Agent shall confirm who introduced the Agent to the Company and provide an explanation of why the Agent was selected. The Employee and his or her supervisor shall certify that the Agent has been personally interviewed and that there is no reason to believe that the Agent has violated this Policy or will violate this Policy regarding future activities on behalf of the Company.

(b) Contracts with Agents

After having obtained approval of the Chief Compliance Officer or the Compliance Committee, under his or her supervision, the Company shall only retain an Agent using a written agreement that contains the following provisions:

- (i) A precise definition of the scope of the Agent's duties; the territory in which the services will be performed, and the compensation of the Agent.

- (ii) The Agent shall acknowledge that it, he or she understands the provisions of this Policy and agrees to comply with its terms and applicable laws.
- (iii) The Agent shall acknowledge that the contents of the agreement may be disclosed by the Company to third parties including government agencies.
- (iv) The Agent shall provide representations and warranties that neither it, nor any of its owners, directors, officers, principals or key employees are Public Officials and that it will promptly inform the Company of any changes in that regard.
- (v) The Company expressly states that its choice of Agent was made after considering factors that support a belief that the applicable law and this Policy would not be violated.
- (vi) Assignment of the entire agreement or any rights, duties or obligations under the agreement by the Agent is prohibited without the Company's prior written consent.
- (vii) Payment shall be by cheque made out in the Agent's name or by wire transfer to a bank account that is registered in the name of the Agent, and located in the country in which the Agent performed the services unless there is an acceptable explanation for other arrangements.
- (viii) Travel, entertainment and other miscellaneous expenses shall not be incurred by the Agent without the Company's prior written approval, and all requests for reimbursement must be supported by documentation acceptable to the Company. Detailed records of all approved expenses shall be kept.
- (ix) The agreement shall provide for automatic termination without compensation in the event an Agent has made, attempted to make, makes, attempts to make, or proposes to make, an Improper Payment.
- (x) The Agent shall make annual certifications of its compliance with applicable law and this Policy and shall certify that none of the payments made to it, him or her by the Company or acquired from other sources have been used to make an Improper Payment.

- (xi) The Company has the right to audit the Agent's compliance with the agreement, including the expenses and invoices of the Agent.

(c) **Managing Agents**

The Company shall take measures reasonably within its power to ensure that:

- (i) any payment made to any Agent represents no more than the amount outlined in the written agreement with the Agent and is an appropriate remuneration for legitimate services rendered by such Agent;
- (ii) no part of any such payment is passed on by the Agent as an Improper Payment or otherwise in contravention of applicable law or this Policy;
- (iii) it maintains a record of the names and contract terms for all Agents who are retained by it in connection with transactions with Public Officials; and
- (iv) the activities of the Agent are monitored to ensure that there is no breach of applicable law or this Policy.

6. FOREIGN JOINT VENTURE PARTNERS

Prior to entering into any joint venture the Company shall conduct due diligence regarding the prospective partner(s) equivalent to that required for retaining an Agent. When appropriate the Company shall obtain equivalent written representations and warranties from the partner as is required of Agents.

Commercially reasonable efforts shall be used by the Company and Employees to ensure that the principles set out in this Policy are incorporated into all international joint venture agreements (such as joint operating agreements).

7. CONTRACTORS

All Contractors of the Company shall be provided with a copy of this Policy. Any agreement with a Contractor shall include a provision that the Contractor must comply with this Policy at all times and failure to so comply may, at the Company's option, result in termination of the contract without any compensation.

8. GIFTS AND ENTERTAINMENT

The offer and acceptance of entertainment, gifts and favours must at all times be in compliance with the policies of the recipient's employer, with the Company's Code of Business Conduct available on Petro-Canada's Internet and Intranet web sites and any Petro-Canada business unit specific procedures.

In addition, the Company, its Employees and Agents shall not, either directly or through an intermediary, offer or provide gifts, hospitality or reimbursement of travel or other expenses to a Public Official, except with the prior approval of the Chief Compliance Officer. Company Employees and Agents may pay or reimburse reasonable meal expenses incurred in good faith by or on behalf of a Public Official related to the promotion, demonstration, or explanation of products or services of the Company or the execution or performance of a contract between the Company and the Public Official's government or agency thereof without pre-approval of the Chief Compliance Officer. Any such payment or reimbursement must at all times be in compliance with the Company's Code of Business Conduct.

The Chief Compliance Officer is responsible for ensuring that any gift, hospitality and/or reimbursement of travel or other expenses ultimately provided to a Public Official is fully and accurately recorded in the Company's accounting records.

9. POLITICAL CONTRIBUTIONS

All political contributions must be made in compliance with the Company's Political Contributions Policies, which are available on Petro-Canada's Intranet web site.

10. CHARITABLE CONTRIBUTIONS

All charitable contributions must be made in compliance with the Company's Community Investment Policy, which is available on Petro-Canada's Intranet web site.

11. EMPLOYMENT OF PUBLIC OFFICIALS

No Public Official shall be employed by the Company, unless:

- (a) the Chief Compliance Officer has satisfied him or herself that such employment is lawful in the country concerned;
- (b) the Chief Compliance Officer has determined that the services to be rendered to the Company do not conflict in any manner with the governmental duties of such person; and

- (c) an ethics opinion from the Public Official's government employer has been obtained.

12. BOOKS AND RECORDS

- (a) The Company shall make and keep books, records, and accounts that conform to the highest professional standards of accuracy and consistency and that, in reasonable detail, accurately and fairly reflect the Company's transactions and the disposition of its assets.
- (b) All financial transactions must be properly and fairly recorded in the Company's books of account and must be made available for inspection by the Company's internal and external auditors.
- (c) The Company shall advise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions are executed in accordance with Company management's general or specific authorization and that access to assets is permitted only in accordance with Company management's general or specific authorization.
- (d) These requirements are applicable to all joint ventures which the Company controls in fact or in which the Company's ownership interest is 50% or more.

13. VIOLATIONS

- (a) Any Employee who becomes aware of a violation of this Policy must promptly report the matter to the Chief Compliance Officer or by means of the Petro-Canada Ethics Hotline.
- (b) Information communicated via the Ethics Hotline telephone number or to any Employee in a supervisory or advisory position in the Company regarding a violation of this Policy shall be immediately reported to the Chief Compliance Officer, who in turn shall immediately investigate and report any violation of this Policy to the Company's Chief Executive Officer and Audit, Finance and Risk Committee.
- (c) A determination of whether a particular past or proposed payment or action is in violation of this Policy shall be made by the Chief Compliance Officer in consultation with the Chief Executive Officer and/or the Chair of the Audit, Finance and Risk Committee.
- (d) Retaliation by anyone as a consequence of an Employee making a good faith report of a possible violation of the law or this Policy is strictly prohibited and will result in disciplinary action, including termination.

- (e) If an Employee or Agent is found to be in violation of this Policy, appropriate corrective disciplinary action, including where appropriate dismissal or termination of contract, shall be taken and immediately reported to the Company's Chief Executive Officer and Audit, Finance and Risk Committee.

14. AUDIT

The Company's internal auditors shall be responsible for examining the possibility of Improper Payments being made in any or all of the Company's business units. The internal auditors shall test expenditures in the course of their audit activities to determine whether or not the payments in the samples tested are potentially Improper Payments within the meaning of this Policy.

The Company's external auditors shall also test expenditures in the course of their audit activities and shall evaluate whether or not the payments in the samples tested are potentially Improper Payments within the meaning of this Policy.

The Company's internal and external auditors shall promptly inform the Chief Compliance Officer and the Company's Audit, Finance and Risk Committee of every potential or suspected Improper Payment or violation of this Policy that comes to their attention and shall recommend procedures to attempt to prevent the recurrence of any potential or suspected violations.

Exhibit A

Employee Certification of Compliance

1. Have you read within the past twenty-four months, and do you understand, the Company's Policy for the Prevention of Improper Payments?

Yes ___ No ___

2. To the best of your knowledge have you at any time within the past twenty-four months been in violation of the Policy?

Yes ___ No ___

3. To the best of your knowledge has any other Employee at any time within the past twenty-four months been in violation of the Policy?

Yes ___ No ___

4. If your answer to question 2 or 3 above is "yes," please give full details.

Date

Signature

Print Name

Position

Division or Subsidiary