



POLICY GUIDANCE & STANDARDS

PREVENTION OF IMPROPER PAYMENTS

Number : CO-056

Date Developed: September 1, 1980

Revision Date: August 1, 2009

Last Reviewed: August 1, 2009

Document Owner: General Counsel

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SCOPE AND PURPOSE

This policy guidance & standard (PG&S) applies to Suncor Energy Inc. and its subsidiaries (collectively "Suncor" or the "Corporation"). References in this document to "Suncor Personnel" include members of the board of directors, officers, employees, contractors, consultants and agents of Suncor. All Suncor Personnel must comply with this PG&S.

Supervisors and managers are expected to promote a working environment consistent with this PG&S and assist Suncor Personnel within their supervision to understand and comply with this PG&S.

If Suncor Personnel or Agents are found to be in violation of this PG&S, appropriate corrective disciplinary action, including where appropriate dismissal or termination of contract, shall be taken and immediately reported to the Corporation's Chief Executive Officer and Audit Committee. Suncor Personnel who become aware of a violation of this PG&S must promptly report the matter to the Chief Compliance Officer or by means of the Suncor Integrity Hotline. See "Violations" for further information.

This PG&S is subject to and forms part of Suncor's Standards of Business Conduct Code and Compliance Program.

GUIDANCE & STANDARDS

Suncor Personnel are prohibited from committing or using corporate funds, facilities or assets directly or indirectly for any illegal or improper purposes, including but not limited to bribery, kickbacks, or diversion to separate funds or companies for personal use or for the purpose of disguising such payments. Suncor Personnel shall comply with all the laws and regulations of jurisdictions where Suncor does business concerning improper payments to foreign officials or other third parties, including the United States Foreign Corrupt Practices Act and the Canadian Corruption of Foreign Public Officials Act.

1. Definitions

"**Agent**" means any person, corporation or other entity retained by Suncor (a) to represent or act on behalf of the Corporation before or with a Public Official; or (b) who may reasonably be

expected to have contact, directly or indirectly, with Public Officials in connection with representing the Company's business interests or acting on its behalf.

"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 either directly or through an intermediary, 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), and also means all attempts to make such payments. Bribe does not include Facilitating Payments.

"Chief Compliance Officer" means the corporate officer responsible for this PG&S, appointed pursuant to Section 2(a).

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

"Contractor" means any person, corporation or other entity retained to supply labour or services to the Corporation or who works on behalf of the Corporation through the outsourcing of services or business activity.

"Employee" means a permanent or temporary employee of the Corporation, or contract staff member.

"Facilitating Payment" means an occasional small payment, promise to pay, or authorization of a payment made solely to expedite or secure the performance of routine government actions which would otherwise be lawful and proper, 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; or
- (v) actions of a similar nature.

"Improper Payment" means a Bribe, Kickback or Facilitating Payment, other than a Facilitating Payment that complies with paragraph 5 of this PG&S.

"Kickback" means the payment, promise to pay, or the authorization of the payment of a portion of contract consideration to a person employed by or associated with 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.

"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; or
- (f) elected officials, candidates for public office, political parties, and officers, employees, representatives and agents of political parties.

2. Compliance

- (a) Suncor's Board of Directors shall appoint a person to the position of Chief Compliance Officer.
- (b) Suncor's Board of Directors shall review compliance with this PG&S as part of its annual review of Suncor's Standards of Business Conduct Compliance Program.
- (c) The Chief Compliance Officer shall oversee this PG&S and shall report directly to Suncor's CEO and Board of Directors.
- (d) The Chief Compliance Officer may create and chair a Compliance Committee, appointing one or more individuals to assist in overseeing the PG&S.

3. Responsibilities of the Chief Compliance Officer

The Chief Compliance Officer shall be responsible for:

- (a) establishing and maintaining the practices and procedures necessary to implement this PG&S and prevent any violation of its provisions;
- (b) disseminating this PG&S to all Suncor Personnel; and

- (c) implementing an appropriate training program on the substance of this PG&S for all Suncor Personnel in Suncor's International and Offshore Business Unit and for relevant Suncor Personnel outside of the International and Offshore Business Unit as the Chief Compliance Officer deems appropriate.

Improper Payments

The Corporation, Suncor Personnel and Agents shall not, either directly or through any intermediary:

- (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 Corporation, Suncor Personnel 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. Facilitating Payments

Suncor generally considers Facilitating Payments to be Improper Payments within the meaning of this PG&S. However, Facilitating Payments may occasionally be made, and will not be deemed to be Improper Payments, if the following strict conditions are met:

- (a) The payment falls strictly within the definition of a Facilitating Payment; and
- (b) The Employee making the Facilitating Payment believes his or her health or safety to be at imminent risk and believes the payment to be absolutely necessary to preserve his or her health or safety; and
- (c) The Facilitating Payment is reported to the Chief Compliance Officer or a member of the Compliance Committee, together with the Controller, and is properly recorded in reasonable detail that accurately and fairly reflects the transaction and includes such information as the amount paid and the purpose of such payment.

6. Agents

- (a) Due Diligence

Prior to Suncor retaining an Agent, the Chief Compliance Officer shall oversee the applicable business unit's research and written documentation of the reputation, background and past performance of the prospective Agent in the following areas, as considered appropriate by the Chief Compliance Officer:

- (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 and Resources.* Confirm the relevant qualifications of the proposed Agent or its, his or her management personnel to perform the services required in the contract and that the Agent has the premises, staff and other resources 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) *Certification.* Any Suncor Personnel proposing retention of the Agent shall confirm who introduced the Agent to the Corporation, provide an explanation of why the Agent was selected, certify, together with his or her supervisor, that the Agent has been personally interviewed and that there is no reason to believe that the Agent has violated this PG&S or will violate this PG&S regarding future activities on behalf of the Corporation.

(b) Contracts with Agents

After having obtained approval of the Chief Compliance Officer, the Corporation 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) Acknowledgment by the Agent that it, he or she understands the provisions of this PG&S and agrees to comply with its terms and applicable laws.
- (iii) Acknowledgement by the Agent that the contents of the agreement may be disclosed by the Corporation to third parties including government agencies.
- (iv) Representations and warranties by the Agent that neither it, nor any of its owners, directors, officers, principals or key employees are Public Officials and that it will promptly inform the Corporation of any changes in that regard.
- (v) A statement that the Corporation's choice of Agent was made after considering factors that support a belief that the applicable law and this PG&S would not be violated.
- (vi) Prohibition of the assignment of the entire agreement or any rights, duties or obligations under the agreement by the Agent without the Corporation's prior written consent.
- (vii) Payment to be made 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 explanation acceptable to the Chief Compliance Officer for other arrangements.
- (viii) A statement that travel, entertainment and other miscellaneous expenses shall not be incurred by the Agent without the Corporation's prior written approval, and all requests for reimbursement must be supported by documentation acceptable to the Corporation. Detailed records of all approved expenses shall be kept.
- (ix) Provision 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 right for the Corporation to audit the Agent's compliance with the agreement, including the expenses and invoices of the Agent.

(c) **Managing Agents**

The Corporation 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 PG&S;
- (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 PG&S.

7. Joint Venture Participants

Prior to entering into any joint venture the Corporation shall conduct the due diligence considered appropriate by the Chief Compliance Officer regarding the prospective co-venturer(s) equivalent to that required for retaining an Agent. When appropriate the Corporation shall obtain equivalent written representations and warranties from the co-venturer as is required of Agents.

Commercially reasonable efforts shall be used by the Corporation and Suncor Personnel to ensure that the principles set out in this PG&S are incorporated into all joint venture agreements (such as joint operating agreements).

8. Contractors

Any agreement with a Contractor shall include a provision that the Contractor must comply with this PG&S and Suncor's Standards of Business Conduct Code when acting on behalf of Suncor and failure to so comply may, at the Corporation's option, result in termination of the contract without any compensation.

9. 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 Suncor's Standards of Business Conduct Code available on Suncor's Internet and Intranet web sites and any Suncor business unit specific procedures.

In addition, the Corporation, Suncor Personnel 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. Suncor Personnel 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 Corporation or the execution or performance of a contract between the Corporation 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 Corporation's Code of Business Conduct.

The Chief Compliance Officer and Controller are 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 Corporation's accounting records.

10. Political Contributions

All political contributions must be made in compliance with Suncor's Political Contributions Policy & Guidance Standard, which are available on Suncor's Intranet web site.

11. Charitable Contributions

All charitable contributions must be approved by Suncor's Director, Suncor Energy Foundation & Community Investments, in consultation with Legal Affairs.

12. Employment of Public Officials

No Public Official shall be employed by the Corporation, 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 Corporation 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.

13. Books and Records

- (a) The Corporation shall make and keep books, records, and accounts that comply with applicable law and accounting standards, conform to the highest professional standards of accuracy and consistency and that, in reasonable detail, accurately and fairly reflect the Corporation's transactions and the disposition of its assets.
- (b) All financial transactions must be properly and fairly recorded in the Corporation's books of account and must be made available for inspection by the Corporation's internal and external auditors.
- (c) The Corporation shall advise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions are executed in accordance with Corporation management's general or specific authorization and that

access to assets is permitted only in accordance with Corporation management's general or specific authorization.

- (d) These requirements are applicable to all joint ventures which the Corporation controls in fact or in which the Corporation's ownership interest is 50% or more.

VIOLATIONS

- (a) Suncor Personnel who become aware of a violation of this PG&S must promptly report the matter to the Chief Compliance Officer or by means of the Suncor Integrity Hotline.
- (b) Information communicated via the Integrity Hotline or to Suncor Personnel in a supervisory or advisory position in the Corporation regarding a violation of this PG&S shall be immediately reported to the Chief Compliance Officer, who in turn shall immediately investigate and report any violation of this PG&S to the Corporation's Chief Executive Officer and Audit Committee.
- (c) A determination of whether a particular past or proposed payment or action is in violation of this PG&S shall be made by the Chief Compliance Officer, in consultation with the Chief Executive Officer and/or the Chair of the Audit Committee.
- (d) Retaliation by anyone as a consequence of Suncor Personnel making a good faith report of a possible violation of the law or this PG&S is strictly prohibited and will result in disciplinary action, including termination.
- (e) If Suncor Personnel or Agents are found to be in violation of this PG&S, appropriate corrective disciplinary action, including where appropriate dismissal or termination of contract, shall be taken and immediately reported to the Corporation's Chief Executive Officer and Audit Committee.

AUDIT

Internal Audit shall be responsible for examining the possibility of Improper Payments being made in any or all of the Corporation's business units. Internal Audit 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 PG&S.

The Corporation'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 PG&S.

Internal Audit and Suncor's external auditors shall promptly inform the Chief Compliance Officer and the Corporation's Audit Committee of every potential or suspected Improper Payment or violation of this PG&S that comes to their attention and shall recommend procedures to attempt to prevent the recurrence of any potential or suspected violations.

APPLICATION

The Vice-President and Controller of Suncor shall issue policy statements, guidelines and procedures to implement and monitor the accounting standards described in this PG&S, including standards for reporting and recording Facilitating Payments.

The senior executive of each Suncor Business Unit and the senior executive of Suncor in each host country will ensure that adequate controls are in place to prevent improper payments and to manage the standards set out in this PG&S.

EXCEPTIONS

None

REFERENCES TO RELATED DOCUMENTS

Business Conduct Policy Statement

Business Conduct Code and Compliance Program PG&S

Conflict of Interest and Confidentiality PG&S

Accounting, Reporting and Business Control PG&S