



# Imperial Oil Limited invites you to attend the annual meeting of shareholders on May 2, 2006, in Calgary

Dear Shareholder,

It is my pleasure to invite you to attend the company's annual meeting of shareholders, to be held in the TELUS Convention Centre, North Building, Upper Level, 120 Ninth Avenue, S.E., Calgary, Alberta, Canada on Tuesday, May 2, 2006, at 10:30 a.m. (MDT).

The meeting is called for the following purposes:

1. to consider the consolidated financial statements for the year ended December 31, 2005, and the auditors' report;
2. to reappoint the auditors;
3. to elect directors;
4. to vote on a special resolution to divide the issued common shares on a three-for-one basis and increase the maximum number of authorized common shares to 1.1 billion; and
5. to transact other business that may properly be brought before the meeting.

It is important that your shares be represented at the meeting and that your wishes on matters for decision at the meeting be made known to the directors and management of the company. This will be assured, whether or not you attend the meeting, if you complete and submit the enclosed proxy as soon as possible. You may do so by mail, fax, telephone or Internet as described on the enclosed proxy form.

Your proxy must be received at the Toronto office of CIBC Mellon Trust Company, the company's share transfer agent, by 5:00 p.m. (EDT) on April 28, 2006.

We can provide reasonable assistance to people with disabilities who wish to attend the meeting. Please contact the corporate secretary by telephone at (403) 237-2915 or fax at (403) 237-2490 at least two weeks before the meeting.

The company will be providing a live Web cast of the annual meeting again this year. Shareholders who cannot attend the meeting in person are encouraged to listen to the Web cast. However, shareholders will not be able to vote through the Web cast or otherwise participate in the meeting. A link to the Web cast will be available on the company's Web site at [www.imperialoil.ca](http://www.imperialoil.ca) several days prior to the meeting.

T.J. (Tim) Hearn  
Chairman, president and chief executive officer  
March 16, 2006

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# Management Proxy Circular

## **Proxies and voting**

The following questions and answers provide guidance on how to vote your shares. Should you have any questions, please contact our transfer agent, CIBC Mellon Trust Company, as indicated in Q&A No. 13. If you are a non-registered shareholder, please refer to Q&A No. 4 for a description of the procedure to be followed to vote your shares.

### **1. Q: Who is soliciting my proxy?**

**A:** This circular is furnished in connection with the solicitation by the directors and management of Imperial Oil Limited of proxies for use in voting at its annual meeting of shareholders on May 2, 2006. Proxies from registered shareholders will be solicited primarily by mail, but may also be solicited personally by employees. Voting instructions or proxies from non-registered shareholders will be solicited primarily by mail by intermediaries, or by the company if the names and addresses of non-registered shareholders are provided by the intermediaries. The company will bear the cost of the solicitation.

### **2. Q: Who is entitled to vote?**

**A:** Shareholders as of 5:00 p.m. (EDT) on March 3, 2006, or their duly appointed proxyholders, will be entitled to attend the meeting and to vote in person or by proxy.

The list of shareholders was prepared as of 5:00 p.m. (EDT) on March 3, 2006. This was the record date for determining which shareholders are entitled to vote at the meeting. Each shareholder entitled to vote at the meeting receives the invitation to attend the annual meeting, this management proxy circular and the enclosed proxy form, all of which was sent to shareholders on March 16, 2006. Each common share registered in your name in the list of shareholders entitles you to one vote at the annual meeting.

As of February 15, 2006, there were 331 344 044 common shares outstanding.

### **3. Q: How do I vote?**

**A:** There are two ways in which you can vote your shares if you are a registered shareholder. You can vote in person at the meeting or you can use the enclosed proxy appointing the named persons or some other person you choose to represent you and vote your shares at the meeting.

If you wish to vote in person at the meeting, do not use the proxy. Your vote will be taken and counted at the meeting. Using your proxy does not preclude you from attending the meeting in person. If you do not wish to attend the meeting or do not wish to vote in person you should use the enclosed proxy.

A proxy must be in writing and must be executed by the shareholder or by the shareholder's attorney authorized in writing, unless you have chosen to complete your proxy by telephone or the Internet, as described on the enclosed proxy form.

Unless otherwise specified, shareholder votes will be conducted by ballot.

If your shares are registered in the name of a nominee, please see Q&A No. 4 for voting instructions.

All shares represented by properly completed proxies received by CIBC Mellon Trust Company prior to 5:00 p.m. (EDT) on Friday, April 28, 2006 will be voted or withheld from voting, in accordance with your instructions as specified in the proxy, on any ballot votes that take place at the annual meeting.

**In the absence of instructions, the shares will be voted FOR the reappointment of the auditors, FOR the election of directors and FOR the special resolution to divide the issued common shares on a three-for-one basis and increase the maximum number of authorized common shares to 1.1 billion as stated in bold type on pages 5, 6 and 11.**

### **4. Q: If my shares are not registered in my name but are held in the name of a nominee (a bank, trust company, securities broker, trustee or other), how do I vote my shares?**

**A:** Non-registered shareholders should follow the directions of their intermediaries with respect to the procedures to be followed for voting their proxies. Non-registered shareholders can also vote by telephone or the Internet, as directed by their intermediaries. Generally, non-registered shareholders will either be provided with: (a) a request for voting instructions (the intermediary is required to send to the company an executed proxy form completed in accordance with any voting instructions received by it); or (b) a proxy form executed by the intermediary but otherwise

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uncompleted (the non-registered shareholder may complete the proxy form and return it directly to the company's share transfer agent).

To vote at the meeting in person, a non-registered shareholder must have himself or herself appointed as proxyholder. Non-registered shareholders who appoint themselves as proxyholders should, at the meeting, identify themselves at the registration desk.

**5. Q: Who will be my proxyholder?**

**A:** Signing the enclosed proxy form gives authority to T.J. Hearn or R.L. Broiles or J.F. Shepard, all of whom are directors of the company, to vote your shares at the meeting.

**6. Q: Can I appoint someone other than these directors to vote my shares?**

**A:** Yes. In order to appoint some other person to represent you as your proxyholder at the annual meeting, you may do so either by inserting the name of such person in the space provided in the proxy form or by completing another proper proxy form and, in either case, delivering the completed proxy form to the company's share transfer agent not later than 5:00 p.m. (EDT) on April 28, 2006.

At the meeting, proxyholders should identify themselves at the registration desk.

**7. Q: What am I voting on?**

**A:** The reappointment of the auditors of the company, the election of the directors and the special resolution to divide the issued common shares on a three-for-one basis and increase the maximum number of authorized common shares to 1.1 billion.

**8. Q: What if amendments are made to these matters or if other matters are brought before the meeting?**

**A:** The person named in the proxy form will have discretionary authority with respect to amendments to matters identified in the invitation to attend the 2006 annual shareholders' meeting and to other matters which may properly come before the meeting. As of the date of this circular, the directors of the company know of no such amendment or other matter to be presented for action at the meeting.

**9. Q: Who counts the votes?**

**A:** The company's transfer agent, CIBC Mellon Trust Company, counts and tabulates the proxies. This is done independently of the company in order to preserve the confidentiality of individual shareholder votes, with the following exceptions: (a) where the proxy contains comments clearly intended for management; (b) where it is necessary to have reference to the proxy in order to determine its validity; or (c) where necessary in order to permit management to discharge its legal obligations to shareholders such as a proxy solicitation in opposition to the directors.

**10. Q: What do I do with my completed proxy form?**

**A:** Return it to the company's transfer agent, CIBC Mellon Trust Company, in the envelope provided or by fax to 416-368-2502, Attention: Proxy Department, so that it is received by 5:00 p.m. (EDT) on Friday, April 28, 2006.

**11. Q: If I change my mind, can I take back my proxy once I have given it?**

**A:** Yes. You can revoke your proxy for the annual meeting or any adjournment of the meeting in any manner permitted by law. This includes filing a later dated proxy or depositing a written statement signed by you (or signed by your attorney, authorized in writing) either, (a) at the head office of the company at 237 Fourth Avenue S.W., Calgary, Alberta, Canada T2P 3M9, at any time up to and including the last business day before the meeting at which the proxy is to be voted, or (b) with the chairman of the meeting on the day of the meeting.

If a proxy is revoked and not replaced by a proxy that is received with the Toronto office of CIBC Mellon Trust Company by 5:00 p.m. (EDT) on Friday, April 28, 2006, then the shares represented by the revoked proxy can only be voted in person by a registered shareholder at the annual meeting.

**12. Q: What must I do to attend the meeting in person?**

**A:** Registered and non-registered shareholders will be required to register for the meeting by identifying themselves at the registration desk. Persons who are not shareholders may be admitted subject to the discretion of the chairman of the meeting and subject to any space constraints, after identifying themselves at the registration desk.

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**13. Q: Whom can I call if I have questions about the information contained in this circular or require assistance in completing my proxy form?**

**A:** You can contact the transfer agent by mail at: CIBC Mellon Trust Company, PO Box 7010, Adelaide St. Postal Station, Toronto, Ontario, Canada M5C 2W9,

or by telephone: within Canada and the United States at 1-800-387-0825,

or in the Toronto area or from any other country at (416) 643-5500,

or by fax at (416) 643-5501.

**Largest shareholder**

To the knowledge of the management of the company, the only shareholder who, as of February 15, 2006, owned beneficially, or exercised control or direction over, more than ten percent of the outstanding common shares of the company is Exxon Mobil Corporation, 5959 Las Colinas Boulevard, Irving, Texas 75039-2298, which owns beneficially 230 613 858 common shares, representing 69.6 percent of the outstanding voting shares of the company.

**Transactions with Exxon Mobil Corporation**

On June 23, 2004, the company implemented another 12-month “normal course” share-purchase program under which it purchased 16 309 490 of its outstanding shares between June 23, 2004 and June 22, 2005. On June 23, 2005, another 12-month “normal course” program was implemented under which the company may purchase up to 17 080 605 of its outstanding shares, less any shares purchased by the employee savings plan and company pension fund. Exxon Mobil Corporation participated by selling shares to maintain its ownership at 69.6 percent. In 2005, such purchases cost \$1 795 million, of which \$1 192 million was received by Exxon Mobil Corporation.

During 2003, the company borrowed \$818 million from Exxon Overseas Corporation under two long term loan agreements at interest equivalent to Canadian market rates. Interest on the loans in 2005 was \$23 million. The average effective interest rate for the loans was 2.8 percent for 2005.

The amounts of purchases and sales by the company and its subsidiaries for other transactions in 2005 with Exxon Mobil Corporation and affiliates of Exxon Mobil Corporation were \$3 774 million and \$1 357 million, respectively. These transactions were conducted on terms as favourable as they would have been with unrelated parties, and primarily consisted of the purchase and sale of crude oil, petroleum and chemical products, as well as transportation, technical and engineering services. Transactions with Exxon Mobil Corporation also included amounts paid and received in connection with the company’s participation in a number of natural resources activities conducted jointly in Canada. The company has agreements with affiliates of Exxon Mobil Corporation to provide computer and customer support services to the company and to share common business and operational support services to allow the companies to consolidate duplicate work and systems. During 2005, the company and an affiliate of Exxon Mobil Corporation in Canada agreed to operate their respective Western Canada production organizations as one single organization. Under the consolidation, the company will operate all Western Canada properties. There are no asset ownership changes.

**Consolidated Financial Statements and Auditors' Report**

The audited consolidated financial statements of the company for the year ended December 31, 2005 and the auditors' report thereon will be received at the meeting. The statements and the auditors' report are contained in the 2005 annual report of the company, which has been made available to each shareholder entitled to receive a copy of this circular.

**Reappointment of auditors**

The audit committee of the board of directors recommends that PricewaterhouseCoopers LLP (“PwC”) be reappointed as auditors of the company. PwC have been auditors of the company for more than five years.

**Unless a proxy specifies that the shares it represents should be withheld from voting in the reappointment of the auditors, the potential proxyholders named in the accompanying proxy intend to use it to vote FOR the reappointment of PwC as auditors of the company to hold office until the close of the next annual meeting.**

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### Auditors fees

The aggregate fees of PwC for professional services rendered for the audit of the company's financial statements and other services for the fiscal years ended December 31, 2005 and December 31, 2004 were as follows:

Dollars (thousands)	2005	2004
Audit fees	1 117	1 112
Audit related fees	64	92
Tax fees	770	545
All other fees	Nil	Nil
Total fees	1 951	1 749

Audit fees include the audit of the company's annual financial statements, audit of management's report on internal control over financial reporting, and a review of the first three quarterly financial statements in 2005.

Audit related fees include other assurance services including the audit of the company's retirement plan, the Imperial Oil Foundation, and royalty statement audits for oil and gas producing entities.

Tax fees are mainly tax services for employees on foreign loan assignments.

The company did not engage the auditors for any other services.

### Election of directors

The company currently has eight directors. Each director is elected to hold office until the close of the next annual meeting.

The proxy provides for instructions from a shareholder to withhold from voting for any or all of the nominees for election as directors.

**Unless a proxy specifies that the shares it represents should be withheld from voting in the election of any of the director nominees, the proxyholders named in the accompanying proxy intend to use it to vote FOR the election of the following nominees.**

All of the nominees are now directors and have been since the dates indicated.

The directors do not expect that any of the nominees will be unable to serve as a director. However, if that should occur for any reason prior to the meeting, the proxyholders reserve the right to vote the shares represented by proxy for another nominee at their discretion, unless the proxy specifies that the shares are to be withheld from voting for any or all of the director nominees.

### Nominees for election as directors

**Randy L. Broiles**, 48, of Calgary, Alberta, was appointed to the board of the company on July 21, 2005 and currently serves as senior vice-president, resources division. From 1997 to 2001, Mr. Broiles was executive director of production for an affiliate of Exxon Mobil Corporation in Lagos, Nigeria. From 2001 until his appointment as senior vice-president, resources division, he was global planning manager of ExxonMobil Production Company in Houston, Texas. Mr. Broiles serves on the CAPP Safety and Human Resources CEO Task Group.

**Tim J. Hearn**, 61, of Calgary, Alberta, has served on the board of the company since January 1, 2002. On April 23, 2002, he was appointed to his present position as chairman, president and chief executive officer. Mr. Hearn was vice-president of Imperial's marketing retail and commercial business when he accepted the first in a series of loan assignments beginning with Exxon Chemical in 1992. Following the merger of Exxon Corporation and Mobil Oil in late 1999, he was appointed vice-president of human resources for Exxon Mobil Corporation. On January 1, 2002, Mr. Hearn assumed the position of president of Imperial Oil Limited. Mr. Hearn is chairman of the board of directors of The C.D. Howe Institute, a member of the Canadian Council of Chief Executives, and co-chairs a multi-year, fundraising campaign for the University of Alberta. It is anticipated that Mr. Hearn will be elected as a director of Royal Bank of Canada at its annual meeting of shareholders to be held on March 3, 2006.

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**Jack M. Mintz**, 54, of Toronto, Ontario has served on the board of the company since April 21, 2005. Dr. Mintz has been the president and chief executive officer of The C.D. Howe Institute since 1999, and has also been a professor at the Joseph L. Rotman School of Management at the University of Toronto since 1989. Dr. Mintz is a director of Brookfield Asset Management Inc., CHC Helicopter Corporation, the Ontario Financing Authority Board, the Royal Ontario Museum Foundation, the Sylvia Ostry Foundation, the National Statistics Council and Board of Management, the International Institute of Public Finance. Dr. Mintz has published widely in the fields of public economics and fiscal federalism and has frequently published articles in the national newspapers.

**Roger Phillips, O.C., S.O.M., F.Inst.P.**, 66, of Regina, Saskatchewan, has served on the board of the company since April 23, 2002. Mr. Phillips is the retired president and chief executive officer of IPSCO Inc., a steel manufacturing company. He held that position from 1982 until his retirement in January 2002. He is also a director of Canadian Pacific Railway Limited, Cleveland-Cliffs Inc., Inco Limited, and The Toronto-Dominion Bank. Mr. Phillips was appointed an officer of the Order of Canada in 1999 and was awarded the Saskatchewan Order of Merit in 2002.

**James F. Shepard**, 67, of Vancouver, British Columbia, has served on the board of the company since October 21, 1997. Mr. Shepard retired from Finning International Inc. in April 2000 after a 32-year career, including nine years as chief executive officer. Mr. Shepard was also chairman of the board of Finning International Inc. Mr. Shepard has served as vice-chairman of the Conference Board of Canada, vice-chairman of the Business Council on National Issues, honorary chairman of Leadership Vancouver and is the past chairman of the executive committee for the Business Council of B.C. He was founding co-chairman of the Business Summit of B.C. and is a member of The Conference Board, Inc., New York. He is also a member of the board of directors of Oncogenex Technologies Inc. Mr. Shepard is a member of the Association of Professional Engineers of B.C.

**Paul A. Smith**, 52, of Calgary, Alberta, has served on the board of the company since February 1, 2002. In February 2002, Mr. Smith was appointed to his present position as controller and senior vice-president, finance and administration. Mr. Smith has held a number of senior financial positions at Imperial Oil and Exxon Mobil Corporation as well as a number of senior operating positions at Imperial Oil. Mr. Smith is a member of Financial Executives International Canada.

**Sheelagh D. Whittaker**, 58, of London, England, has served on the board of the company since April 19, 1996. Ms. Whittaker was president and chief executive officer of Electronic Data Systems Canada from 1993 to 2001. Ms. Whittaker then undertook other senior roles globally for Electronic Data Systems, ultimately serving as managing director, United Kingdom, Africa and Middle East, until her retirement from the company in November of 2005. Ms. Whittaker is also a director and trustee of CanWest Mediaworks Income Fund.

**Victor L. Young, O.C.**, 60, of St. John's, Newfoundland and Labrador, has served on the board of the company since April 23, 2002. From 1984 until May 2001, Mr. Young served as chairman and chief executive officer of Fishery Products International Limited, a frozen seafood products company. Mr. Young is a director of Aliant Inc., BCE Inc., McCain Foods Limited, Royal Bank of Canada, and RBC Dexia Investor Services Trust. Mr. Young is past chair of the Royal Commission set up to review how Newfoundland and Labrador might renew and strengthen its place in Canada. Mr. Young was appointed an officer of the Order of Canada in 1996.

The following table provides information on the nominees for election as directors.

Name and current principal occupation or employment	Last major position or office with the company or Exxon Mobil Corporation	Director since	Holdings(2)(3)	
R.L. (Randy) Broiles Senior vice-president, resources division, Imperial Oil Limited	Global planning manager, ExxonMobil Production Company	July 21, 2005	Common shares of Imperial Oil Limited	1 000
			Deferred share units of Imperial Oil Limited	0
			Restricted stock units of Imperial Oil Limited	0
			Shares of Exxon Mobil Corporation (4)	53 244
T.J. (Tim) Hearn Chairman, president and chief executive officer, Imperial Oil Limited	President, Imperial Oil Limited	January 1, 2002	Common shares of Imperial Oil Limited	30 342
			Deferred share units of Imperial Oil Limited	101
			Restricted stock units of Imperial Oil Limited	213 800
			Shares of Exxon Mobil Corporation	10 107
J.M. (Jack) Mintz President and chief executive officer, The C.D. Howe Institute (public policy institute) and professor, Joseph L. Rotman School of Management, University of Toronto (1)	–	April 21, 2005	Common shares of Imperial Oil Limited	100
			Deferred share units of Imperial Oil Limited	0
			Restricted stock units of Imperial Oil Limited	1 000
			Shares of Exxon Mobil Corporation	0
R. (Roger) Phillips Retired president and chief executive officer, IPSCO Inc. (steel manufacturing) (1)	–	April 23, 2002	Common shares of Imperial Oil Limited	3 000
			Deferred share units of Imperial Oil Limited	3 943
			Restricted stock units of Imperial Oil Limited	3 375
			Shares of Exxon Mobil	2 000

(table continued on following page)

Name and current principal occupation or employment	Last major position or office with the company or Exxon Mobil Corporation	Director since	Holdings(2)(3)	
J.F. (Jim) Shepard Retired chairman and chief executive officer, Finning International Inc. (sale, lease, repair and financing of heavy equipment)(1)	–	October 21, 1997	Common shares of Imperial Oil Limited	3 000
			Deferred share units of Imperial Oil Limited	6 564
			Restricted stock units of Imperial Oil Limited	3 375
			Shares of Exxon Mobil Corporation	0
P.A. (Paul) Smith Controller and senior vice-president, finance and administration, Imperial Oil Limited	Corporate finance manager, Exxon Mobil Corporation	February 1, 2002	Common shares of Imperial Oil Limited	4 434
			Deferred share units of Imperial Oil Limited	0
			Restricted stock units of Imperial Oil Limited	60 650
			Shares of Exxon Mobil Corporation	1 190
S.D. (Sheelagh) Whittaker Retired managing director, Electronic Data Systems Limited (business and information technology services)(1)	–	April 19, 1996	Common shares of Imperial Oil Limited	3 000
			Deferred share units of Imperial Oil Limited	9 053
			Restricted stock units of Imperial Oil Limited	3 375
			Shares of Exxon Mobil Corporation	0
V.L. (Victor) Young Corporate director of several corporations(1)	–	April 23, 2002	Common shares of Imperial Oil Limited	3 000
			Deferred share units of Imperial Oil Limited	1 379
			Restricted stock units of Imperial Oil Limited	3 375
			Shares of Exxon Mobil Corporation	0

- (1) Member of audit committee; member of environment, health and safety committee; member of executive resources committee; member of nominations and corporate governance committee; and member of Imperial Oil Foundation board of directors.
- (2) The information includes the beneficial ownership of common shares of Imperial Oil Limited and shares of Exxon Mobil Corporation, which information not being within the knowledge of the company, has been provided by the nominees individually.
- (3) The company's plans for deferred share units and restricted stock units for selected employees and nonemployee directors are described on pages 18 and 19.
- (4) R.L. Broiles holds 16 244 common shares and 37 000 restricted shares of Exxon Mobil Corporation.

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### **Independent director executive sessions**

Independent directors conduct executive sessions following every board meeting, except the board meeting held on the day of the annual meeting of shareholders, in the absence of members of management to monitor and assess board processes and issues, to discuss substantive issues that are more appropriately discussed in the absence of management, and to communicate to management as appropriate the results of private discussions among independent directors.

These meetings were chaired by P. Des Marais II until his retirement on April 21, 2005 and, subsequently and to date, by S.D. Whittaker, both independent directors designated by the independent directors to chair and lead these discussions.

### **Audit committee**

The audit committee of the board of directors is described in Appendix 2. The following directors are the members of the audit committee: P. Des Marais II until his retirement on April 21, 2005, R. Phillips, J.F. Shepard, S.D. Whittaker, V.L. Young, and J.M. Mintz, from his appointment on April 21, 2005.

Additional information relating to the audit committee can be found in the company's Form 10-K which can be found on SEDAR at [www.sedar.com](http://www.sedar.com) and on the company's Web site at [www.imperialoil.ca](http://www.imperialoil.ca).

### **Directors' compensation**

Directors' fees are paid only to nonemployee directors. For 2005, nonemployee directors were paid an annual retainer of \$35 000 and 1000 restricted stock units for their services as directors, plus an annual retainer of \$4 500 for each committee on which they served, an additional \$5 000 for serving as chair of a committee and \$2 000 for each board and board committee meeting attended. The restricted stock units issued to nonemployee directors have the same features as the restricted stock units for selected key employees described on page 19.

Starting in 1999, the nonemployee directors have been able to receive all or part of their directors' fees in the form of deferred share units for nonemployee directors. The purpose of the deferred share unit plan for nonemployee directors is to provide them with additional motivation to promote sustained improvement in the company's business performance and shareholder value by allowing them to have all or part of their directors' fees tied to the future growth in value of the company's common shares. This plan is described on page 18.

### **Share ownership guideline**

Directors are required to hold the equivalent of at least 5 000 shares of Imperial Oil Limited, including common shares, deferred share units and restricted stock units. Directors are expected to reach this level within five years. The board of directors believes that the share ownership guideline will result in an alignment of the interest of board members with the interests of all other shareholders.

### **Special resolution to divide the issued common shares and increase the maximum number of authorized common shares**

The purpose of dividing the issued and outstanding common shares on a three-for-one basis is to broaden the market for the common shares by bringing the market price of the shares within a range that is expected to be more attractive to investors.

Increasing the maximum number of authorized common shares from the present limit of 450 million to 1.1 billion will permit the company to issue the additional common shares resulting from the three-for-one share division. As of February 15, 2006, 331 344 044 common shares were issued and outstanding, and should the same number of common shares continue to be issued and outstanding when the share division becomes effective, then there would be 994 032 132 common shares issued and outstanding.

The division of the common shares will not change a shareholder's proportionate ownership in the company. Three common shares, immediately after the division, will be equal to one common share immediately before the division.

It is expected that the record date for the division of the common shares will occur by the end of May. Normally, the trading of the divided common shares on the TSX would begin two business days prior to the record date. The company will make an advance announcement of the record date when that date has been determined.

Certificates for the additional common shares resulting from the division will be mailed to shareholders after the record date. Shareholders should retain their existing share certificates and not send them to the company or its share transfer agents.

In order to be effective, the special resolution requires a two-thirds' majority of the votes cast by the shareholders who vote in respect of the special resolution.

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The directors may revoke the special resolution before it is acted upon without further approval of the shareholders.

**Unless a proxy specifies that the shares it represents should be voted against the special resolution to divide the issued common shares on a three-for-one basis and increase the maximum number of authorized shares to 1.1 billion, the proxyholders named in the accompanying proxy intend to use it to vote FOR the special resolution.**

The following is the special resolution amending the articles of Imperial Oil Limited (herein referred to as the "corporation").

Resolved that:

1. Item 3 of the articles of the corporation is amended as follows:
  - (a) Each issued common share is divided into three issued common shares.
  - (b) The first sentence in the first paragraph of Schedule 1 is replaced with the following:  
"The shares of the corporation shall consist of 1.1 billion (1 000 000 000) common shares."
2. Any director, officer or vice-president of the corporation is authorized to sign all documents and to do all things necessary or desirable to implement such amendments, including the delivery to the Director, Canada Business Corporations Act of articles of amendment for such purpose.
3. The directors may revoke this resolution before it is acted on without further approval of the shareholders.

#### **Income tax consequences of the division of shares**

The company has determined that the division of the common shares will not result in a gain or loss to common shareholders for Canadian or U.S. federal income tax purposes. The following summary applies to common shareholders who for income tax purposes hold their common shares as capital property.

#### **Canadian tax consequences**

For Canadian federal income tax purposes, no disposition or acquisition will be considered to have occurred, and the adjusted cost base to a holder of a divided common share immediately after the division will be one-third of the adjusted cost base of the respective undivided common share immediately before the division. Divided common shares will be considered as having been acquired at the time that the respective undivided common shares were acquired.

#### **U.S. tax consequences**

For U.S. federal income tax purposes, the tax basis of a common share immediately after the division will be one-third the tax basis of the respective undivided common share immediately before the division. The holding period of divided common shares will include the holding period of the respective undivided common shares.

#### **The senior executives of your company at the end of 2005**

T.J. (Tim) Hearn  
Chairman, president and chief executive officer

P.A. (Paul) Smith  
Controller and senior vice-president,  
finance and administration

R.L. (Randy) Broiles  
Senior vice-president, resources division

J.F. (John) Kyle  
Vice-president and treasurer

R.F. (Robert) Lipsett  
Vice-president, human resources

#### **Senior executive compensation**

The executive resources committee of the board of directors, composed of the independent directors, is responsible for decisions on the compensation of senior management above the level of vice-president including all officers of the company, and for reviewing the executive development system, including specific succession plans for senior management positions. It also reviews corporate policy on compensation. During 2005, the membership of the executive resources committee was as follows:

P. Des Marais II - Chair (until April 2005)  
R. Phillips - Chair (from May 2005)  
R. Phillips - Vice-chair (until April 2005)  
V.L. Young - Vice-chair (from May 2005)  
J.F. Shepard  
S.D. Whittaker  
J.M. Mintz (from April 2005)

T.J. Hearn periodically attends meetings at the request of the committee.

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### **Executive resources committee report on executive compensation**

The company's executive compensation policy is designed to reinforce the company's orientation toward career employment and its emphasis on performance as the primary determinant of advancement. This acknowledges the long-term nature of the company's business and its philosophy that the experience, skill and motivation of its senior executives are significant determinants of future business success. The compensation program emphasizes competitive salaries and performance-based incentives as the primary instruments to develop and retain key personnel.

In establishing levels of compensation for its senior executives, the executive resources committee relies on market comparisons to other leading Canadian employers, typically in the group of major companies with revenues in excess of \$1 billion a year. These market comparisons are prepared by independent external compensation consultants. However, no consultant or advisor was retained to assist in determining compensation for any of the company's directors or officers or any other senior executives. On a case-by-case basis, depending on the scope of market coverage represented by a particular comparison, compensation is targeted to a range between the mid-point and the upper quartile of comparable employers, reflecting the company's emphasis on quality of management.

The company's senior executive compensation policy has three main elements: base salary, cash bonus and long-term incentive compensation. While these elements are related to the extent that compensation policy is compared in total to the competitive practices of other major Canadian employers, individual decisions on base salary, cash bonus and long-term incentive compensation are made independently of each other.

#### **Base salary**

The company's salary ranges for executives were increased by two and one-half percent in 2004, one and one-half percent in 2005 and two and one-half percent in 2006. High-performing executives, and those recently promoted, whose salaries were low relative to their level of responsibility, were given limited additional salary increases. This included senior executives.

T.J. Hearn's salary is currently assessed to be within the range of the competitive target for the company's chairman, president and chief executive officer which is between the median and upper quartile. The target is consistent with the executive resources committee's view that the chairman, president and chief executive officer's salary should be above the average of salaries for chief executive officers of major Canadian companies, reflecting the company's executive development philosophy and the significance placed on experience and judgment in leading a large, complex operation.

#### **Cash bonus**

Cash bonuses are typically granted to about 80 executives to reward their contributions to the business during the past year. Earnings bonus units, which are described on page 18, are generally granted in tandem as incentives for strong, medium-term company performance. These bonuses are drawn from an aggregate bonus amount established annually by the executive resources committee based on the company's financial and operating performance.

In 2005, the executive resources committee increased the overall bonus awards pool including the grant of earnings bonus units to reflect the company's record financial results, outstanding operating performance and in response to comparisons to other leading Canadian employers.

In the case of T.J. Hearn, the committee's approach to cash bonuses is based on the company's financial and operating performance and on the committee's assessment of T.J. Hearn's effectiveness in leading the organization. The continuing progress being made in focusing the organization on advancing key strategic interests, safety, environmental performance, productivity, cost effectiveness and asset management were primary considerations in determining a cash bonus for the chairman, president and chief executive officer. T.J. Hearn's bonus including the grant of earnings bonus units was increased in 2005 to reflect his effectiveness in the position, the company's record financial results, and comparisons to other leading Canadian employers.

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### **Long-term incentive compensation**

Each year, the executive resources committee has approved long-term incentive awards for selected key employees. These awards were an added incentive to promote individual contribution to sustained improvement in business performance and shareholder value, and to encourage key employees to remain with the company. Individual awards reflected both level of responsibility and performance, with an emphasis on ability to influence longer-term results. In each case, including senior executives and the chairman, president and chief executive officer, award amounts took into account the competitive practices of other major Canadian employers and were not influenced by prior-years' results or by an individual's holdings of unexercised long-term incentive compensation units.

Incentive awards also have been awarded selectively to the general managerial, professional and technical (non-executive) workforce as a way of delivering added financial incentive to selected high-performing employees.

Currently, restricted stock units, which are described in more detail on page 19, form the basis of awards under this program. A total of 579 employees, including executives, were granted restricted stock units in 2005.

For many years, the company's long-term incentive compensation programs have been cash-based programs tied to earnings and share performance, and incentive awards have been reported as expenses in the consolidated statement of earnings. In 2002, to meet competitive practices, the company introduced a stock option program. However, recognizing current concerns over stock option incentive programs, the company decided to return to straightforward, primarily cash-based incentive compensation programs that will again be reported as expenses against earnings. There are no plans to issue stock options in the future.

Two elements of the company's compensation programs are awarded in the current year but do not payout until a future date. These elements are the earnings bonus unit plan and the restricted stock unit plan which are described in detail on pages 18 and 19 respectively. The amounts that are paid out in the future could be more or could be less than the face values shown on pages 14 and 16 and are not strictly part of the total compensation received in the current year.

The committee is aware that regulatory authorities and shareholder groups have recently made recommendations to modify the disclosure of compensation, but since these recommendations are still in the discussion stages and could change materially prior to approval, the committee has elected to adhere to all currently required disclosure requirements. The company intends to fully implement any new disclosure requirements approved by the regulatory authorities.

Submitted on behalf of the executive resources committee:

R. Phillips - Chair  
V.L. Young - Vice-chair  
J.F. Shepard  
S.D. Whittaker  
J.M. Mintz

### **Summary compensation table**

The following table shows the compensation for the chairman, president and chief executive officer; the controller and senior vice-president, finance and administration; and the three other most highly compensated senior executives of the company who were serving as senior executives at the end of 2005. This information includes the dollar value of base salaries, cash bonus awards, and units of other long-term incentive compensation and certain other compensation.

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation				All Other Compensation (8) (\$)
		Salary (\$)	Bonus (2) (\$)	Other Annual Compensation (3) (\$)	Awards			Payouts	
					Securities Under Options/SARs Granted (4) (#)	Shares or Units Subject to Resale Restrictions (5)(6) (#)	Shares or Units Subject to Resale Restrictions (5)(6) (\$)	LTIP Payouts (7) (\$)	
T.J. Hearn Chairman, president and chief executive officer	2005	1 100 000	900 000	385 028	–	64 400 restricted stock units 1 deferred share unit	7 432 404 94	870 000	33 000
	2004	1 000 000	872 266	246 249	–	64 400 restricted stock units 100 deferred share units	4 582 060 7 034	750 000	30 000
	2003	825 000	750 000	182 072 U.S. 293 450	–	60 000 restricted stock units 0 deferred share units	3 451 800 0	738 000	24 750
P.A. Smith Controller and senior vice-president, finance and administration	2005	398 333	193 675	87 198	–	18 400 restricted stock units	2 123 544	193 125	23 900
	2004	378 333	193 600	67 022	–	19 300 restricted stock units	1 373 195	183 000	22 700
	2003	357 917	183 000	11 083 U.S. 72 891	–	16 700 restricted stock units	960 751	204 510	21 475
R.L. Broiles (1) Senior vice-president, resources division (from July 1, 2005)	2005	159 000 U.S.	140 500 U.S.	112 214 U.S.	–	11 000 restricted stock units	641 740 U.S.	116 253 U.S.	10 175 U.S.
R.F. Lipsett Vice-president, human resources	2005	360 000	178 850	107 810	–	14 100 restricted stock units	1 627 281	178 500	10 800
	2004	340 000	179 000	78 581	–	15 700 restricted stock units	1 117 055	166 700	10 200
	2003	330 000	166 800	42 229	–	13 400 restricted stock units	770 902	227 010	9 900
J.F. Kyle Vice-president and treasurer	2005	364 166	112 500	90 821	–	11 300 restricted stock units	1 304 133	171 375	21 850
	2004	359 583	172 105	74 585	–	13 200 restricted stock units	939 180	171 000	21 575
	2003	355 000	171 000	41 391	–	11 400 restricted stock units	655 842	261 000	21 300

- (1) R.L. Broiles has been on a loan assignment from Exxon Mobil Corporation since July 1, 2005. His compensation was paid to him directly by Exxon Mobil Corporation in United States dollars, and is disclosed in United States dollars. Also, he received employee benefits under Exxon Mobil Corporation's employee benefit plans, and not under the company's employee benefit plans. The company reimburses Exxon Mobil Corporation for the compensation paid and employee benefits provided to him.
- (2) Any part of bonus elected to be received as deferred share units is excluded.
- (3) Amounts under "Other Annual Compensation", except for R.L. Broiles, consist of interest paid in respect of deferred payments for long-term incentive compensation, other than the company's plan for deferred share units for selected executives, described on page 18, dividend equivalent payments on restricted stock units, interest paid in respect of deferred payments of bonuses and any costs associated with the personal use of the company aircraft. There is no tax assistance from the company for taxes related to personal use of the company aircraft. In 2005, the dividend equivalent payments were \$146 280 for T.J. Hearn, \$40 374 for P.A. Smith, \$33 346 for R.F. Lipsett and \$29 480 for J.F. Kyle. Also included is an earned benefits allowance. The earned benefits allowance in 2005 was \$90 000 for T.J. Hearn, \$45 000 for P.A. Smith, \$35 000 for R.F. Lipsett and \$35 000 for J.F. Kyle. For T.J. Hearn and P.A. Smith, the U.S. dollar amounts were payments by the company on account of U.S. income taxes incurred while on assignment in the U.S. For R.L. Broiles, the amounts are the net payments by Exxon Mobil Corporation on account of Canadian income taxes and other compensation for assignment outside of the United States. Each year, while on assignment, T.J. Hearn and P.A. Smith paid to the company and R.L. Broiles paid to Exxon Mobil Corporation, amounts that were approximate to the income taxes that would have been imposed if they were resident in their originating country of employment. For R.L. Broiles the amount also includes dividend equivalent payments on restricted stock units from Exxon Mobil Corporation.
- (4) The company has not granted stock options since 2002. The stock option plan is described on pages 18 and 19.
- (5) These values include the number of units granted under the company's restricted stock unit plan and deferred share unit plan for selected executives described on pages 18 and 19. The values of the restricted stock units shown are the number of units multiplied by the closing price of the company's shares on the date of grant. The closing price on the date of grant of the restricted stock units was \$57.53 in 2003, \$71.15 in 2004 and \$115.41 in 2005. The values of the deferred share units shown are the number of units multiplied by the closing price of the company's shares for the five consecutive days before the grant of the deferred share unit. T.J. Hearn is the only senior executive who holds deferred share units.

R.L. Broiles participates in Exxon Mobil Corporation's restricted stock plan, which is similar to the company's restricted stock unit plan. Under that plan, R.L. Broiles was granted 11 000 restricted shares in 2005, whose value on the date of grant (November 29, 2005) was \$641 740, based on a closing price of Exxon Mobil Corporation shares on the date of grant of \$58.34 (U.S.).

- (6) The table below shows the number and value of restricted stock units and deferred share units held as of December 31, 2005. The closing price on December 31, 2005 was \$115.41.

R.L. Broiles participates in Exxon Mobil Corporation's restricted stock plan, which is similar to the company's restricted stock unit plan. Under that plan, R.L. Broiles holds 37 000 restricted shares whose value on December 31, 2005 was \$2 078 290 (U.S.) based on a closing price for Exxon Mobil Corporation shares on December 31, 2005 of \$56.17 (U.S.).

Name	Restricted Stock Units		Deferred Share Units	
	Total(#)	Total(\$)	Total(#)	Total(\$)
T.J. Hearn	213 800	24 674 658	101	11 622
P.A. Smith	60 650	6 999 616	0	0
R.L. Broiles	-	-	-	-
R.F. Lipsett	48 650	5 614 696	0	0
J.F. Kyle	41 200	4 754 892	0	0

- (7) Payouts were from 2004 earnings bonus unit that reached maximum value of \$3.75 per unit in 2005. That plan is described on page 18. R.L. Broiles participates in Exxon Mobil Corporation's earnings bonus unit plan, which is similar to the company's earnings bonus unit plan.
- (8) Amounts under "All Other Compensation", except for R.L. Broiles, are the company's contributions to the savings plan, which is a plan available to all employees. Under one of the options of that plan to which the senior executives subscribe, except for R.L. Broiles, the company matched employee contributions up to six percent of base salary per year; however, an employee may elect to receive an enhanced pension under the company's pension plan by foregoing three percent of the company's matching contributions. The plan is intended to be primarily for retirement savings, although employees may withdraw their contributions prior to retirement. For R.L. Broiles, the amount is Exxon Mobil Corporation's contributions to its employee savings plan.

**Earnings bonus unit plan – awards in most recently completed financial year**

The following table provides information on

earnings bonus units granted in 2005 to the named senior executives. The earnings bonus unit plan is described in more detail on page 18.

Name	Securities Units or Other Rights (#)	Performance or Other Period Until Maturity or Payout (1)	Estimated Future Payouts Under Non-Securities-Price Based Plans		
			Threshold (\$)	Target (\$) (2)	Maximum (\$) (2)
T.J. Hearn	200 000	Nov 16, 2010	0	4.50	4.50
P.A. Smith	42 900	Nov 16, 2010	0	4.50	4.50
R.L. Broiles (3)	-	-	-	-	-
R.F. Lipsett	39 700	Nov 16, 2010	0	4.50	4.50
J.F. Kyle	25 000	Nov 16, 2010	0	4.50	4.50

- (1) Payment will be made earlier when the cumulative net earnings per outstanding common share reach the maximum settlement value per unit prior to the fifth anniversary of the grant date.  
 (2) This is the maximum settlement value payable per earnings bonus unit granted in 2005.

- (3) R.L. Broiles participates in Exxon Mobil Corporation's earnings bonus unit plan which is similar to the company's earnings bonus unit plan. In 2005, R.L. Broiles was granted 37 470 units under that plan for which the maximum settlement value payable per earnings bonus unit is U.S. \$3.75.

**Aggregated option/SAR exercises during the most recently completed financial year and financial year-end option/SAR values**

The following table provides information on the exercise in 2005 and the aggregate holdings at the

end of 2005 of incentive share units (referred to in the table as "SARs") by the named senior executives. The incentive share unit plan is described in more detail on page 18.

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options/SARs at Financial Year-End (#)		Value of Unexercised in-the-Money Options/SARs at Financial Year-End (\$)	
			Exercisable	Unexercisable (1)	Exercisable	Unexercisable (1)
T.J. Hearn	-	743 000	40 000	0	3 056 400	0
P.A. Smith	-	1 708 300	45 000	0	3 600 450	0
R.L. Broiles	-	-	-	-	-	-
R.F. Lipsett	-	2 861 235	25 000	0	1 910 250	0
J.F. Kyle	-	6 197 460	0	0	0	0

- (1) Unexercisable units are units for which the conditions for exercise have not been met.

The following table provides information on the exercise in 2005 and the aggregate holdings at the end of 2005 of stock options by the named senior executives.

The stock option plan is described in more detail on pages 18 and 19.

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options/SARs at Financial Year-End (#)		Value of Unexercised in-the-Money Options/SARs at Financial Year-End (\$)	
			Exercisable	Unexercisable (2)	Exercisable	Unexercisable (2)
T.J. Hearn	1 000	34 030	59 000	0	4 065 690	0
P.A. Smith	0	0	25 000	0	1 722 750	0
R.L. Broiles (1)	-	-	-	-	-	-
R.F. Lipsett	0	0	25 000	0	1 722 750	0
J.F. Kyle	0	0	29 000	0	1 998 390	0

(1) At the end of 2005, R.L. Broiles held options to acquire 123 074 Exxon Mobil Corporation shares of which all options were exercisable. The value of R.L. Broiles' exercisable options was U.S. \$2 429 836 at the end of 2005. In 2005, R.L. Broiles exercised 4 258 options and realized an aggregate value of U.S. \$119 596.

(2) Unexercisable units are units for which the conditions for exercise have not been met.

The following table provides information on the common shares of the company that may be issued as

of the end of 2005 pursuant to compensation plans of the company.

#### Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options warrants and rights (\$) (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders (1)	2 045 000	46.50	0
Equity compensation plans not approved by security holders (2)	1 363 510	-	2 136 490
<b>Total</b>	<b>3 408 510</b>	<b>46.50</b>	<b>2 136 490</b>

(1) This is a stock option plan, which is described on pages 18 and 19. (2) This is a restricted stock unit plan, which is described on page 19.

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## Details of long-term and medium-term incentive compensation

Consistent with the company's compensation philosophy of being performance driven, long-term incentive compensation is granted to retain selected employees and reward them for high performance.

The assessment of employee performance is conducted through the company's appraisal program. The appraisal program is a disciplined annual program that incorporates business performance measures relevant to eligible employees, and involves ranking of employee performance using a consistent process throughout the organization at all levels. The number of units received by each employee is tied to the performance of the employee in achieving these business performance measures. The scope of the company program is determined by the overall performance of the company each year.

The company's incentive share units give the recipient a right to receive cash equal to the amount by which the market price of the company's common shares at the time of exercise exceeds the issue price of the units. These units were granted prior to 2002. The issue price of the units granted to executives was the closing price of the company's shares on the Toronto Stock Exchange on the grant date. Incentive share units are eligible for exercise up to 10 years from issuance.

In 1998, an additional form of long-term incentive compensation ("deferred share units") was made available to selected executives whose decisions are considered to have a direct effect on the long term financial performance of the company. They can elect to receive all or part of their cash bonus compensation in the form of such units. The number of units granted to an executive is determined by dividing the amount of the executive's bonus elected to be received as deferred share units by the average of the closing prices of the company's shares on the Toronto Stock Exchange for the five consecutive trading days ("average closing price") immediately prior to the date that the bonus would have been paid to the executive. Additional units will be granted to recipients of these units, in respect of unexercised units, based on the cash dividend payable on the company shares divided by the average closing price immediately prior to the payment date for that dividend and multiplying the resulting number by the number of deferred share units held by the recipient. An executive may not exercise these units until after termination of employment with the company and must exercise the units

no later than December 31 of the year following termination of employment with the company. The units held must all be exercised on the same date. On the date of exercise, the cash value to be received for the units will be determined by multiplying the number of units exercised by the average closing price immediately prior to the date of exercise. In 2005, no executive elected to receive deferred share units.

Starting in 1999, a form of long-term incentive compensation, similar to the deferred share units for executives, was made available to nonemployee directors in lieu of their receiving all or part of their directors' fees. The main differences between the two plans are that all nonemployee directors are allowed to participate in the plan for nonemployee directors and that the number of units granted to a nonemployee director is determined at the end of each calendar quarter by dividing the amount of the directors' fees for that calendar quarter that the nonemployee director elected to receive as deferred share units by the average closing price immediately prior to the last day of the calendar quarter.

Starting in 2001, a medium-term incentive compensation plan was introduced, called the earnings bonus unit plan. This plan was made available to selected executives to promote individual contribution to sustained improvement in the company's business performance and shareholder value. Each earnings bonus unit entitles the recipient to receive an amount equal to the company's cumulative net earnings per common share as announced each quarter beginning after the grant. Payout occurs on the fifth anniversary of the grant or when the maximum settlement value per unit is reached, if earlier. If after five years the maximum settlement has not been reached, payout will be prorated.

Under the stock option plan, adopted by the company in April 2002, a total of 3 210 200 options were granted to selected key employees on April 30, 2002 for the purchase of the company's common shares at an exercise price of \$46.50 per share. All of the options are exercisable. Any unexercised options expire after April 29, 2012.

As of February 15, 2006, there have been 1 153 925 common shares issued upon exercise of stock options and 2 034 825 common shares are issuable upon future exercise of stock options. The common shares that were issued and those that may be issued in the future represent about 0.96 percent of the company's currently outstanding common shares.

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The company's directors, officers and vice-presidents as a group hold 9.5 percent of the unexercised stock options.

The maximum number of common shares that any one person may receive from the exercise of stock options is 60,000 common shares, which is about 0.02 percent of the currently outstanding common shares.

Stock options may be exercised only during employment with the company except in the event of death, disability or retirement. Also, stock options may be forfeited if the company believes that the employee intends to terminate employment or if during employment or during the period of 24 months after the termination of employment the employee, without the consent of the company, engaged in any business that was in competition with the company or otherwise engaged in any activity that was detrimental to the company. The company may determine that stock options will not be forfeited after the cessation of employment. Stock options cannot be assigned except in the case of death.

The company may amend or terminate the incentive stock option plan as it in its sole discretion determines appropriate. No such amendment or termination can be made to impair any rights of stock option holders under the incentive stock option plan unless the stock option holder consents, except in the event of (a) any adjustments to the share capital of the company or (b) a take-over bid, amalgamation, combination, merger or other reorganization, sale or lease of assets, or any liquidation, dissolution, or winding-up, involving the company. Appropriate adjustments may be made by the company to: (i) the number of common shares that may be acquired on the exercise of outstanding stock options; (ii) the exercise price of outstanding stock options; or (iii) the class of shares that may be acquired in place of common shares on the exercise of outstanding stock options in order to preserve proportionately the rights of the stock option holders and give proper effect to the event.

In December 2002, the company introduced a restricted stock unit plan, which will be the primary long-term incentive compensation plan in future years. The purpose of the plan is to align the interests of the selected key employees and nonemployee directors directly with the interests of shareholders. Each unit entitles the recipient the right to receive from the company, upon exercise, an amount equal to the closing price of the company's shares on the exercise dates. Fifty percent of the units will be exercised on the third anniversary of the grant date, and the remainder will be exercised on the seventh anniversary

of the grant date. The company will pay the recipients cash with respect to each unexercised unit granted to the recipient corresponding in time and amount to the cash dividend that is paid by the company on a common share of the company. The restricted stock unit plan was amended for units granted in 2003 and future years by providing that the recipient may receive one common share of the company per unit or elect to receive the cash payment for the units to be exercised on the seventh anniversary of the grant date. A total of 886 050 units were granted on December 31, 2005.

There are 1 363 510 common shares issuable upon future exercise of restricted stock units, which represent about 0.41 percent of the company's currently outstanding common shares. The company's directors, officers and vice-presidents have available, as a group, 20 percent of the common shares issuable under outstanding restricted stock units.

The maximum number of common shares that any one person may receive from the exercise of outstanding restricted stock units is 94 400 common shares, which is about 0.03 percent of the currently outstanding common shares.

Restricted stock units will be exercised only during employment except in the event of death, disability or retirement. Also, restricted stock units may be forfeited if the company believes that the employee intends to terminate employment or if during employment or during the period of 24 months after the termination of employment the employee, without the consent of the company, engaged in any business that was in competition with the company or otherwise engaged in any activity that was detrimental to the company. The company may determine that restricted stock units will not be forfeited after the cessation of employment. Restricted stock units cannot be assigned.

In the case of any subdivision, consolidation, or reclassification of the shares of the company or other relevant change in the capitalization of the company, the company, in its discretion, may make appropriate adjustments in the number of common shares to be issued and the calculation of the cash amount payable per restricted stock unit.

Effective December 31, 2004, the restricted stock unit plan was amended by the company to provide that on retirement the company shall determine whether the employee's restricted stock units will not be forfeited. Shareholder approval for that change was not required by the Toronto Stock Exchange.

## Payments to employees who retire

### Pension plan table

Remuneration for determining payments on retirement (\$)	Estimated undiscounted payments on retirement at the age of 65 after years of service indicated below (\$)				
	20 Years	25 Years	30 Years	35 Years	40 Years
100 000	32 000	40 000	48 000	56 000	64 000
200 000	64 000	80 000	96 000	112 000	128 000
300 000	96 000	120 000	144 000	168 000	192 000
400 000	128 000	160 000	192 000	224 000	256 000
500 000	160 000	200 000	240 000	280 000	320 000
600 000	192 000	240 000	288 000	336 000	384 000
800 000	256 000	320 000	384 000	448 000	512 000
1 000 000	320 000	400 000	480 000	560 000	640 000
1 500 000	480 000	600 000	720 000	840 000	960 000
2 000 000	640 000	800 000	960 000	1 120 000	1 280 000
2 500 000	800 000	1 000 000	1 200 000	1 400 000	1 600 000
3 000 000	960 000	1 200 000	1 440 000	1 680 000	1 920 000

The company's pension plan applies to almost all employees. The plan provides an annual pension of a specific percentage of an employee's "final three year average earnings", multiplied by the employee's years of service, subject to certain requirements concerning age and length of service. An employee may elect to forego three of the six percent of the company's contributions to the savings plan under one of the options of that plan (except for R.L. Broiles), to receive an enhanced pension equal to 0.4 percent of the employee's "final three year average earnings", multiplied by the employee's years of service while foregoing such company contributions. In addition to the pension payable under the plan, the company has paid and may continue to pay a supplemental retirement income to employees who have earned a pension in excess of the maximum pension under the Income Tax Act. The pension plan table on this page shows estimated undiscounted annual payments, consisting of pension and supplemental retirement income, payable on retirement to the senior executives in specified classifications of remuneration and years of service currently applicable to that group.

The remuneration used to determine the payments on retirement to the individuals named in the summary compensation table on page 14 corresponds generally to the salary, bonus compensation, and bonus compensation amount elected to be received as deferred

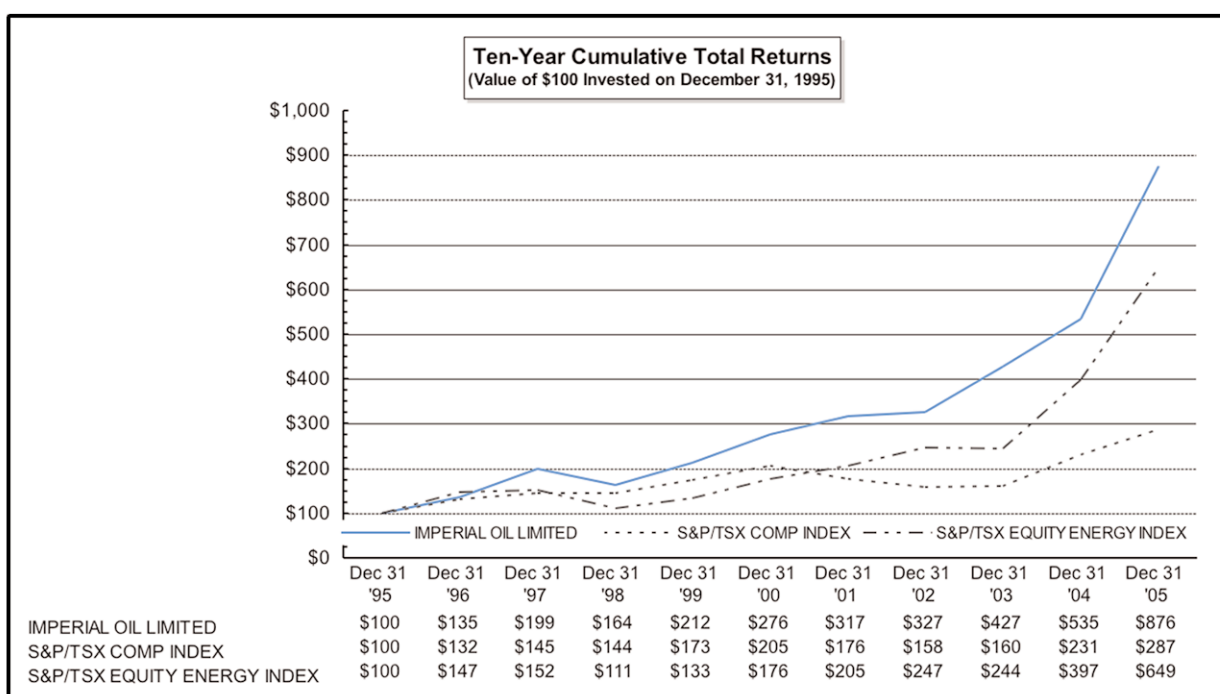
share units in that table. The aggregate maximum settlement value that could be paid for earnings bonus units granted shown in the table on page 16 is also included in the employee's "final three year average earnings" for the year of grant of such units. As of February 15, 2006, the number of completed years of service with Imperial Oil Limited used to determine payments on retirement was 39 for T.J. Hearn, 25 for P.A. Smith, 36 for R.F. Lipsett and 29 for J.F. Kyle.

R.L. Broiles is not a member of the company's pension plan, but is a member of Exxon Mobil Corporation's pension plan. Under that plan, R.L. Broiles has 26 years of service and he will receive a pension payable in U.S. dollars. The remuneration used to determine the payment on retirement to him also corresponds generally to his salary extended on a full year basis and bonus compensation in the summary compensation table on page 14, which total may be applied to the pension plan table above but with the dollars in that table representing U.S. rather than Canadian dollars.

### Share performance graph

The following graph shows changes over the past ten years in the value of \$100 invested in (1) Imperial Oil Limited common shares, (2) the S&P/TSX Composite Index, and (3) the S&P/TSX Equity Energy Index. The S&P/TSX Equity Energy Index is made up of share performance data for 37 oil and gas companies including integrated oil companies, oil and gas producers and oil and gas service companies.

The year-end values in the graph represent appreciation in share price and the value of dividends paid and reinvested. The calculations exclude trading commissions and taxes. Total shareholder returns from each investment, whether measured in dollars or percent, can be calculated from the year-end investment values shown beneath the graph.



## Corporate Governance Disclosure

The following corporate governance disclosure has been prepared in accordance with Form 58-101F1-Corporate Governance Disclosure. The board of directors has determined that the company's practices and procedures align with National Instrument 58-101-Disclosure of Corporate Governance Practices and National Policy 58-201-Corporate Governance Guidelines.

### Board of Directors

Name of Director	Is Director Independent?	Other reporting issuers of which Director is also a director
R.L. Broiles	Not independent	
T.J. Hearn (1)	Not Independent	Royal Bank of Canada
J.M. Mintz	Independent	Brookfield Asset Management Inc. CHC Helicopter Corporation
R. Phillips	Independent	Canadian Pacific Railway Limited Cleveland-Cliffs Inc. Inco Limited The Toronto-Dominion Bank
J.F. Shepard	Independent	
P.A. Smith	Not independent	
S.D. Whittaker	Independent	CanWest Mediaworks Income Fund
V.L. Young	Independent	Aliant Inc. BCE Inc. Royal Bank of Canada

(1) It is anticipated that T.J. Hearn will be elected as a director of Royal Bank of Canada at its annual meeting of shareholders to be held on March 3, 2006

The board of directors is composed of eight directors, the majority (five out of eight) of which are independent. The five independent directors are not employees of the company. None of the independent directors has any interest, business or other relationship that could or could reasonably be perceived to constitute a material relationship with the company. The three non-independent directors are employees of the company and are the chairman, president and chief executive officer; the senior vice-president, resources; and the controller and senior vice-president, finance and administration. The board believes that the employee directors' extensive knowledge of the company's business is beneficial to the other directors and their participation as directors enhances the effectiveness of the board.

The independent directors conduct executive sessions following every board meeting, except the board meeting held on the day of the annual meeting of shareholders, in the absence of members of management to monitor and assess board processes and issues, to discuss substantive issues that are more appropriately discussed in the absence of management and to communicate to management as appropriate the results of private discussions amongst independent directors. The independent directors held seven executive sessions in 2005.

While the chairman of the board is not an independent director, S.D. Whittaker, chair of the executive sessions, provides leadership for the independent directors and ensures that the board's agenda will enable it to successfully carry out its duties. The position description of the chair of the executive sessions is described

in paragraph 8(3) of the Board of Directors Charter attached as Appendix 1.

### Board of Directors Mandate

The board's written mandate is set out in the Board of Directors Charter attached as Appendix 1.

### Position Descriptions

The position description of the chairman and chief executive officer (currently T.J. Hearn) is set out in paragraph 10(a) of the Board of Directors Charter attached as Appendix 1.

The position description of the chair of the audit committee (currently J.F. Shepard) is set out in paragraph 2 of the Audit Committee Charter attached as Appendix 2.

The position description of the chair of the environment, health and safety committee (currently S.D. Whittaker) is set out in paragraph 2 of the Environment, Health and Safety Committee Charter attached as Appendix 3.

The position description of the chair of the executive resources committee (currently R. Phillips) is set out in paragraph 2 of the Executive Resources Committee Charter attached as Appendix 4.

The position description of the chair of the nominations and corporate governance committee (currently V.L. Young) is set out in paragraph 2 of the Nominations and Corporate Governance Committee Charter attached as Appendix 5.

## Summary of board and committee meetings

Board.....	8
Audit.....	5
Environment, health and safety.....	3
Executive resources .....	7
Nominations and corporate governance.....	2
Imperial Oil Foundation board of directors.....	3

## Record of attendance by directors

For the 12 months ended December 31, 2005

	Number of meetings attended	
	Board	Committees
R.L. (Randy) Broiles	3 of 3	
P. (Pierre) Des Marais II	3 of 3	7 of 7
B.J. (Brian) Fischer	6 of 6	2 of 2
T.J. (Tim) Hearn	8 of 8	
J.M. (Jack) Mintz	5 of 5	13 of 13
R. (Roger) Phillips	8 of 8	20 of 20
J.F. (Jim) Shepard	7 of 8	19 of 20
P.A. (Paul) Smith	8 of 8	
S.D. (Sheelagh) Whittaker	8 of 8	20 of 20
J.M. (Michael) Yeager	4 of 4	
V.L. (Victor) Young	7 of 8	19 of 20

## Orientation and Continuing Education

The corporate secretary organizes an orientation program for all new directors that includes a briefing by members of management on all significant areas of the company's operations. All new directors meet with and are briefed by senior management. They also receive a board manual which contains a record of historical information about the company, the charters of the board and its committees, and other relevant corporate business information.

Continuing education is provided to board members by regular presentations provided by senior management on the main areas of company business. In August, the board has an extended meeting that focuses on a particular area of the company's operations and includes a visit to one or more of the company's operating sites. In August 2005, the board received presentations on topics relating to the company's refining and marketing operations and visited various retail sites in Edmonton and the company's Strathcona refinery.

## Ethical Business Conduct

The board has adopted a written code of ethics and business conduct ("Code") which can be found on the company's Web site at [www.imperialoil.ca](http://www.imperialoil.ca).

The Code is applicable to each of the company's directors, officers and employees, and consists of the Ethics Policy, the Conflicts of Interest Policy, the

Corporate Assets Policy, the Directorships Policy and the Procedures and Open Door Communication. Under the company's Procedures and Open Door Communication, employees are encouraged and expected to refer suspected violations of the law, company policy or internal controls procedures to their supervisors. Suspected violations involving a director or executive officer, as well as any concern regarding questionable accounting or auditing matters are to be referred directly to the general auditor. The audit committee initially reviews all issues involving directors or executive officers, and then refers all issues to the board of directors. In the alternative, employees may also address concerns to individual non-employee directors or to non-employee directors as a group.

Management provides the board of directors with a review of corporate ethics and conflicts of interest on an annual basis. Directors, officers and employees review the company's standards of business conduct (which includes the Code) on an annual basis, with employees in positions where there is a higher risk of exposure to ethical or conflict of interest situations being required to sign a declaration card confirming that they have read and are familiar with the standards of business conduct. In addition, every four years a business practices review is conducted in which managers review the standards of business conduct with certain employees in their respective work units.

The board, through its audit committee, examines the effectiveness of the company's internal control processes and management information systems. The board consults with the external auditor, the internal auditor and the management of the company to ensure the integrity of the systems.

There are a number of structures and processes in place to facilitate the functioning of the board independently of management. The board has a majority of independent directors. Each of the committee chairs are independent directors and each committee is composed entirely of independent directors. The agendas of each of the board and its committees are not set by management alone, but by the board as a whole and by each committee. A significant number of agenda items are mandatory and recurring. Board meetings are scheduled at least one full year in advance. Any director may call a meeting of the board or a meeting of a committee of which the director is a member. There is a board-prescribed flow of financial, operating and other corporate information to all directors.

The independent directors conduct executive sessions in the absence of members of management. These meetings are chaired by S.D. Whittaker, the independent director designated by the independent

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directors to chair and lead these discussions. Seven executive sessions were held in 2005.

There have been no material change reports filed in the past 12 months pertaining to conduct of a director or executive officer that constitutes a departure from the Code.

### **Nomination of Directors**

The process by which the nominations and corporate governance committee recommends new candidates for board nomination is described in paragraph 9(a) of the Board of Directors Charter attached as Appendix 1. In the course of considering such candidates, the committee assesses such candidates against the selection criteria set out in the Charter. When the committee is recommending candidates for re-nomination, it also assesses such candidates against the criteria for re-nomination set out in the Charter. The committee maintains a list of potential director candidates for future consideration.

The nominations and corporate governance committee is composed entirely of independent directors.

The responsibilities, powers and operation of the nominations and corporate governance committee are set out in the Nominations and Corporate Governance Committee Charter attached as Appendix 5.

### **Compensation**

The process by which the board determines the compensation for the company's directors and officers is described in the section of the circular entitled "Executive resources committee report on executive compensation".

The executive resources committee is composed entirely of independent directors.

The responsibilities, powers and operation of the executive resources committee are set out in the Executive Resources Committee Charter attached as Appendix 4.

### **Other Board Committees**

In addition to the audit committee, nominations and corporate governance committee and executive resources committee, the board also has an environment, health and safety committee. The function of that committee is set out in the Environment, Health and Safety Committee Charter attached as Appendix 3.

### **Imperial Oil Foundation**

The Imperial Oil Foundation, a not-for-profit corporation incorporated under the Canada Corporations Act, oversees the company's charitable contributions program. The company's contributions program is aimed at enhancing the quality of life in communities where the company has a significant presence, with particular emphasis on education and youth. The Foundation has registered charity status under Quebec and federal income tax legislation. As a not-for-profit corporation, the Foundation is a corporation of members, not of shareholders. The company is the sole member.

The board of directors of the Imperial Oil Foundation is composed entirely of the independent directors of the company. The chair of the Foundation is J.M. Mintz.

### **Assessments**

The board and its committees are assessed on an annual basis. Detailed surveys are completed by each director and survey results are analyzed and compiled by the corporate secretary. A summary report is provided to each member of the nominations and corporate governance committee, without attribution of feedback to individual directors. The results of the survey are reviewed by the committee. The committee also assesses the company's response to issues raised in the previous year's survey. The survey assesses the effectiveness of the organization, the administration of the board of directors and the effectiveness of the board in discharging its stewardship responsibilities. The survey also assesses the mandate and effectiveness of each board committee and each director assesses the director's own personal performance and contribution.

The nominations and corporate governance committee reviews its own charter and effectiveness and the charter of the board on an annual basis. The competencies and skills directors are expected to bring to the board are assessed by the committee and are taken into account when it makes its recommendations for appointment of individuals to the board.

Each other committee also reviews its own charter and effectiveness on an annual basis.

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**Measures for receiving shareholder feedback and dealing with shareholder concerns**

The company has an investor relations group that communicates with and responds to inquiries from both institutional and individual investors and the financial community.

The company annually solicits questions and comments from shareholders on the enclosed proxy form. The comments received are reviewed by senior management, and those requiring a response are answered individually.

Investor relations staff are also available to shareholders by telephone at (403) 237-4538 and fax at (403) 237-2081.

**If you have a shareholder proposal for the 2007 annual meeting**

Any shareholder's proposal that meets the provisions of the Canada Business Corporations Act, and is intended to be presented at the 2007 annual meeting of shareholders, must be received by the company no later than December 20, 2006. The proposal can then be included in the management proxy circular and the proxy for the 2007 annual meeting.

**Additional information**

You may obtain a copy of this management proxy circular, the company's 2005 annual report, year 2006 quarterly reports to shareholders and the company's latest Form 10-K, by writing to the investor relations manager or to the corporate secretary at 237 Fourth Avenue S.W., Calgary, Alberta, Canada T2P 3M9. The Form 10-K contains additional information about the company and is filed each year with Canadian and United States securities commissions and administrators.

Also, additional information relating to the company can be found on SEDAR at [www.sedar.com](http://www.sedar.com), and on the company Web site at [www.imperialoil.ca](http://www.imperialoil.ca).

**Effective date**

The effective date of this management proxy circular is February 15, 2006.

**Directors' approval**

The board of directors have approved the contents and the sending of this circular to the shareholders.



B.W. Livingston  
Vice President, general counsel  
and corporate secretary

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## APPENDIX 1

### BOARD OF DIRECTORS CHARTER

The structure, process and responsibilities of the board of directors of the corporation shall include the following items and matters:

#### 1. Responsibility

The directors shall be responsible for the stewardship of the corporation.

#### 2. Duty of care

The directors, in exercising their powers and discharging their duties, shall:

- (a) act honestly and in good faith with a view to the best interests of the corporation; and
- (b) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

#### 3. Stewardship process

- 1) In order to carry out their responsibility for stewardship within their duty of care, the directors shall, directly or through one or more committees of directors,
  - (a) contribute to the formulation of and approve strategic plans on at least an annual basis;
  - (b) identify the principal risks of the corporation's business where identifiable and oversee the implementation of appropriate systems to manage such risks;
  - (c) oversee succession planning for senior management, including the appointing, training and monitoring thereof;
  - (d) approve the corporate disclosure policy and monitor the external communications of the corporation;
  - (e) monitor the integrity of the corporation's internal control and management information systems;
  - (f) consider management's recommendations regarding major corporation decisions and actions, which have significant societal implications;
  - (g) monitor compliance with major corporate policies;
  - (h) charge the chief executive officer of the corporation with the general management and direction of the business and affairs of the corporation;
  - (i) monitor the performance of the chief executive officer;

- (j) satisfy itself as to the integrity of the chief executive officer and other executive officers and ensure that the chief executive officer and the other executive officers create a culture of integrity throughout the company;
- (k) approve the corporation's code of ethics and business conduct;
- (l) monitor compliance with the code of ethics and business conduct, provided that any waivers from the code that are granted for the benefit of the issuer's directors or executive officers should be granted by the board only;
- (m) meet with the frequency necessary to consider the range of items listed below;
- (n) by appropriate charter resolutions, establish the audit, executive resources, nominations and corporate governance, and environment, health and safety, committees of the board with specific duties defined;
- (o) direct the distribution to them by management of information that will enhance their familiarity with the corporation's activities and the environment in which it operates, as set out in clause 5;
- (p) review the mandates of the board and of the committees and their effectiveness at least annually; and,
- (q) undertake such additional activities within the scope of their responsibilities as may be deemed appropriate in their discretion.

#### 4. Range of items to be considered by the board

- 1) The following categories and specific items shall be referred to the board for information or decision on a regularly scheduled basis, to the extent appropriate:

##### Organization/legal

- fixing of the number of directors
- director appointments to fill interim vacancies
- director slate for election by the shareholders
- officer appointments
- board governance processes
- by-laws and administrative resolutions
- changes in fundamental structure of the corporation
- shareholder meeting notice and materials
- non-employee director compensation
- policies adopted by the board
- investigations and litigation of a material nature

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**Financial**

- equity or debt financing
- dividend declarations
- financial statements and the related management discussion and analysis, annual and quarterly
- status of the corporation's retirement plan and employee savings plan

**Strategic/investment/operating plans/performance**

- near-term and long-range outlooks
- capital, lease, loan and contributions budgets annually
- budget additions over \$100 million individually
- quarterly updates of actual and projected capital expenditures
- capital expenditures or dispositions in excess of \$100 million individually
- entering into any venture that is outside of the corporation's existing businesses
- financial and operating results quarterly
- Canadian and world economic outlooks
- regional socio-economic reviews

- 2) In addition to the items which are specific to the categories identified above, the chief executive officer shall refer to the board for information or decision all other items of corporate significance; and any member of the board may request a review of any such item. Items to be referred to the committees of the board are specified in their respective charters.

**5. Information to be received by the board**

- 1) Material under the following general headings, including the specific items listed below and only other similar items, shall be distributed to directors on a regular basis:

**Information manual (Directors' Digest)**

- articles of incorporation, by-laws and administrative resolutions
- corporate policies
- corporate data
- board and management processes
- financial and operating report
- organization outline

**Social/political/economic environment**

- public issues updates
- economic outlook
- external communications packages

**Major announcements**

- press releases
- speeches by management
- organization changes

**Communications to shareholders****Other significant submissions, studies and reports**

- 2) All material distributed to employee directors shall be through normal corporation channels. All material distributed to non-employee directors shall be through the office of the corporate secretary.

**6. Unrelated and independent directors**

- 1) Subject to occasions when there is a temporary vacancy in respect of a director who is unrelated and independent or when there is a need to accommodate succession for one or more senior executives who are directors, the board intends to be composed of a majority of unrelated and independent directors.
- 2) In respect of each director to be appointed to fill a vacancy and each director to be nominated for election or re-election by the shareholders, the board shall make an express determination as to whether he or she is an unrelated or an independent director and, for a director who may become a member of the audit committee, whether he or she is an audit committee financial expert or financially literate.
- 3) The term "unrelated director", as defined by the Toronto Stock Exchange, means a director who is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of the corporation, other than interests and relationships arising from shareholding.
- 4) The term "independent", within the meaning of applicable law, means that the director may not, other than in his or her capacity as a member of the board of directors, or any other board committee, (i) accept any consulting, advisory, or other compensatory fee from the issuer; or (ii) be an affiliated person of the issuer or any subsidiary thereof.

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## 7. Independent legal or other advice

The board and, with the approval of the board, any director, may engage independent counsel and other advisors at the expense of the corporation.

## 8. Meetings of the unrelated and independent directors in the absence of members of management

- 1) Meetings of the unrelated and independent directors ("executive sessions of the board") shall be held in conjunction with all board meetings except unscheduled telephonic board meetings.
- 2) The chair of the executive sessions of the board shall be chosen by the unrelated and independent directors.
- 3) The chair of the executive sessions of the board, or in the chair's absence an unrelated and independent director chosen by the unrelated and independent directors, shall
  - (a) preside at executive sessions of the board;
  - (b) ensure that meetings of the unrelated and independent directors are held in accordance with this charter; and
  - (c) review, and modify if necessary the agenda of the meetings of the board in advance to ensure that the board may successfully carry out its duties.
- 4) The purposes of the executive sessions of the board shall include the following:
  - (a) to raise substantive issues that are more appropriately discussed in the absence of management;
  - (b) to discuss the need to communicate to the chairman of the board any matter of concern raised by any committee or any director;
  - (c) to address issues raised but not resolved at meetings of the board and assess any follow-up needs with the chairman of the board;
  - (d) to discuss the quality, quantity, and timeliness of the flow of information from management that is necessary for the unrelated and independent directors to effectively and responsibly perform their duties, and advise the chairman of the board of any changes required; and
  - (e) to seek feedback about board processes.

## 9. Selection and tenure of directors

The guidelines for selection and tenure of directors shall be as follows:

### (a) Selection

In selecting individuals to recommend for appointment to the board, the nominations and corporate governance committee shall consider what competencies and skills the board, as a whole, should possess. In so doing, it may consider the following factors:

- the requirement for outstanding business, administrative or other valuable experience, such as:
  - > holding a position of high responsibility with a major organization and/or having a broad exposure to or understanding of the policy making level;
  - > possessing expertise in any of the following areas: finance, law, science, marketing, administration, government affairs, social/political environment or community and civic affairs;
- providing diversity of viewpoint, individual competencies in business, other areas of endeavour in contributing to the collective experience of the directors, age, gender or regional association;
- having some career exposures that would contribute to an understanding of a multi-national corporation;

The nominations and corporate governance committee shall then assess what competencies and skills each existing director possesses.

The nominations and corporate governance committee shall identify individuals qualified to become new board members and recommend to the board the new director nominees. In making its recommendations, the nominations and corporate governance committee shall consider the competencies and skills that it considers necessary for the board, as a whole to possess, the competencies and skills that the board considers each existing director to possess and the competencies and skills each new nominee will bring<sup>8</sup>.

A candidate may be nominated for directorship after consideration has been given as to his or her degree of compatibility with the following criteria, i.e., as to whether he or she:

- will not adversely affect the requirements with respect to citizenship and residency for the directors imposed by the Canada Business Corporations Act;

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- possesses the ability to contribute to the broad range of issues with which the directors and any one or all of the committees of directors must deal;
  - is able to devote the necessary amount of time to prepare for and attend meetings of the directors and committees of directors, and to keep abreast of significant corporate developments;
  - is free of any present or apparent potential legal impediment or conflict of interest, such as:
    - > serving as an employee or principal of any organization presently providing a significant level of service to the corporation or which might so provide to the corporation, for example, institutions engaged in commercial banking, underwriting, law, management consulting, insurance, or trust companies; or of any substantial customer or supplier of the corporation;
    - > serving as an employee or director of a competitor of the corporation, such as petroleum or chemical businesses, or of a significant competitor of corporations represented by a director of this corporation;
    - > serving as the chief executive officer or a top administrator of an organization that has the chief executive officer or a top administrator of this corporation serving as director;
  - is expected to remain qualified to serve for a minimum of five years;
  - will not, at the time that he or she stands for election or appointment, have attained the age of 70;
  - is, or will become within a period of five years of becoming a director, the beneficial owner, directly or indirectly, of not less than 5000 common shares, deferred share units or restricted stock units of the corporation
- (b) Tenure**
- (i) Re-nomination*
- An incumbent director shall be supported for re-nomination as long as he or she:
- does not suffer from any disability that would prevent the effective discharge of his or her responsibilities as a director;
  - makes a positive contribution to the effective performance of the directors;
  - regularly attends directors' and committee meetings;
  - has not made a change with respect to principal position or thrust of involvement or regional association that would significantly detract from his or her value as a director of the corporation;
  - is not otherwise, to a significant degree, incompatible with the criteria established for use in the selection process;
  - in a situation where it is known that a director will become incompatible with the criteria established for use in the selection process within a three-month period of election, such as retirement from principal position at age 65, this information would be included in the management proxy circular, and where possible, information regarding the proposed replacement would also be included;
  - will not, at the time that he or she stands for re-election, have attained the age of 70; however, under exceptional circumstances, at the request of the chief executive officer, the nominations and corporate governance committee may continue to support the nomination.
- (ii) Resignation*
- An incumbent director may be asked to resign in the event that he or she:
- displays a change in the exercise of his or her powers and in the discharge of duties that, in the opinion of at least 75 percent of the directors, is incompatible with the duty of care of a director as defined in the Canada Business Corporations Act;
  - has made a change in citizenship or residency that will adversely affect the requirements for directors with respect to those areas imposed by the Canada Business Corporations Act;
  - develops a conflict of interest, such as
    - > assuming a position as an employee or principal with any organization providing a significant level of service to the corporation, for example, institutions engaged in commercial banking,

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underwriting, law, management consulting, insurance, or trust companies; or with any substantial customer or supplier of the corporation;

- > assuming a position as an employee or director of any competitor of the corporation, such as petroleum or chemical businesses, or of a competitor of corporations represented by a director of this corporation;
- > assuming the position of chief executive officer or a top administrator of an organization that has the chief executive officer or a top administrator of this corporation serving as a director;
- > becomes unable to devote the necessary amount of time to prepare for and regularly attend meetings of the directors and committees of directors, and to keep abreast of significant corporate developments.

#### **10. Chairman and chief executive officer**

##### **(a) Position description**

The chairman and chief executive officer shall

1. Plan and organize all activities of the board of directors;
2. Ensure that the Board receives sufficient, timely information on all material aspects of the corporation's operations and financial affairs;
3. Chair annual and special meetings of the shareholders;
4. Conduct the general management and direction of the business and affairs of the corporation;
5. Recommend to the board of directors a strategic plan for the corporation's business and, when approved by the board of directors, implement this strategic plan and report to the board of directors on the implementation of this strategic plan;
6. Develop and implement operational policies to guide the corporation within the limits prescribed by the corporation's by-laws and the directions adopted by the board of directors;

7. Identify, for review with the board of directors, the principal risks of the corporation's business, where identifiable, and develop appropriate systems to manage such risks;
8. Under the oversight of the board of directors, develop plans for succession planning for senior management, including the appointing, training and monitoring thereof, and implement those plans;
9. Ensure compliance with the corporation's code of ethics and business conduct so as to foster a culture of integrity throughout the company; and
10. Ensure effective internal controls and management information systems are in place.

##### **(b) Minimum shareholding requirements**

The chairman and chief executive officer shall hold, or shall, within three years after his appointment as chairman and chief executive officer, acquire shares of the corporation, including common shares, deferred share units and restricted stock units, of a value no less than five times his base salary.

## **APPENDIX 2**

### **AUDIT COMMITTEE CHARTER**

The structure, process and responsibilities of the audit committee shall include the following items and matters:

1. (1) The committee shall consist of five members, to be appointed by the board of directors from among the unrelated and independent directors, who shall serve during the pleasure of the board but only so long as they continue to be directors of the corporation and are unrelated and independent.
- (2) The committee shall, if possible, have one or more members who is an "audit committee financial expert" within the meaning of applicable law.
- (3) Each member of the committee shall be able to read and understand fundamental financial statements, including a company's balance sheet, income statement, and cash flow statement.

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- (4) No committee member shall serve on the audit committee of more than two other public companies, unless the Board of Directors determines that such simultaneous service would not impair the ability of such director to effectively serve on the audit committee.
  2. The chair and vice-chair shall be appointed by the board from among the members of the committee. The chair, or in that person's absence, the vice-chair or in the vice-chair's absence, an alternate designated by the committee, shall:
    - (a) preside at committee meetings;
    - (b) ensure that meetings of the audit committee are held in accordance with this charter; and
    - (c) review, and modify if necessary the agenda of the meetings of this committee in advance to ensure that the committee may effectively carry out its duties.
  3. The committee shall designate its secretariat.
  4. A quorum for the meetings of the committee shall be three members.
  5. Meetings of the committee may be called by any member or by the external auditors of the corporation, and notice of every meeting shall be given to the external auditors.
  6. The committee and, with the approval of the committee, any member, may engage independent counsel and other advisors at the expense of the corporation.
  7. The external auditors of the corporation shall report directly to the audit committee.
  8. The committee shall:
    - (a) recommend the external auditors to be appointed by the shareholders, fix their remuneration, which shall be paid by the corporation, and oversee their work.
    - (b) approve the proposed current year audit program of the external auditors and assess the results of the program after the end of the program period.
    - (c) approve in advance any non-audit services that are permitted by applicable law to be performed by the external auditors after considering the effect of such services on their independence.
- (d) receive from the external auditors a formal written statement delineating all relationships between the external auditor and the corporation consistent with Independence Standards Board Standard 1, and shall actively engage in a dialogue with the external auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the external auditor and shall recommend that the board take any appropriate action to oversee the independence of the external auditor.
  - (e) establish procedures for the receipt, retention and treatment of complaints received by the corporation regarding accounting, internal accounting controls, or auditing matters and the confidential, anonymous submission by employees of the corporation of concerns regarding questionable accounting or auditing matters.
  - (f) approve the proposed current year audit program of the internal auditors and assess the results of the program after the end of each quarter.
  - (g) review annually the adequacy of the corporation's liability and property insurance program.
  - (h) review the adequacy of the corporation's system of internal controls and auditing procedures.
  - (i) review the accounting and financial reporting processes of the corporation.
  - (j) approve changes proposed by management in accounting principles and practices, and review changes proposed by the accounting profession or other regulatory bodies which impact directly on such principles and practices.
  - (k) review the annual and quarterly financial statements of the corporation, accounting items affecting the statements and the overall format and content of the statements, and the related management discussion and analysis, prior to approval of such financial statements by the board of directors.
  - (l) review the results of the monitoring activity under the corporation's business ethics compliance program.
  - (m) review annually a summary of senior management expense accounts.

- (n) require attendances at its meetings by members of management, as the committee may direct.
- (o) review its mandate and its effectiveness at least annually.
- (p) undertake such additional activities within the scope of its responsibilities as may be deemed appropriate in its discretion.

### **APPENDIX 3**

#### **ENVIRONMENT, HEALTH AND SAFETY COMMITTEE CHARTER**

The structure, process and responsibilities of the environment, health and safety committee shall include the following items and matters:

1. The committee shall consist of five members, to be appointed by the board of directors from among the unrelated and independent directors, who shall serve during the pleasure of the board but only so long as they continue to be directors of the corporation.
2. The chair and vice-chair shall be appointed by the board from among the members of the committee. The chair, or in that person's absence, the vice-chair or in the vice-chair's absence, an alternate designated by the committee, shall:
  - (a) preside at committee meetings;
  - (b) ensure that meetings of the environment health and safety committee are held in accordance with this charter; and
  - (c) review, and modify if necessary the agenda of the meetings of this committee in advance to ensure that the committee may effectively carry out its duties.
3. The committee shall designate its secretariat.
4. A quorum for the meetings of the committee shall be three members.
5. Meetings of the committee may be called by any member.
6. The committee and, with the approval of the committee, any member, may engage independent counsel and other advisors at the expense of the corporation.

7. The committee shall:

- (a) review and monitor the corporation's policies and practices in matters of the environment, health and safety.
- (b) monitor the corporation's compliance with legislative, regulatory and corporation standards for environmental, health and safety practices and matters, and advise the directors on the results and adequacy thereof.
- (c) monitor trends and review current and emerging public policy issues in matters of the environment, health and safety as they may impact the corporation's operations.
- (d) review the impact of proposed legislation in matters of the environment, health and safety on the operations of the corporation and advise the directors and management as to the appropriate response of the corporation thereto.
- (e) recommend to the directors and management desirable policies and actions arising from its review and monitoring activity.
- (f) require attendances at its meetings by members of management, as the committee may direct.
- (g) review its mandate and its effectiveness at least annually.
- (h) undertake such additional activities within the scope of its responsibilities as may be deemed appropriate in its discretion.

### **APPENDIX 4**

#### **EXECUTIVE RESOURCES COMMITTEE CHARTER**

The structure, process and responsibilities of the executive resources committee shall include the following items and matters:

1. The committee shall consist of five members, to be appointed by the board of directors from among the unrelated and independent directors, who shall serve during the pleasure of the board but only so long as they continue to be directors of the corporation.
2. The chair and vice-chair shall be appointed by the board from among the members of the committee. The chair, or in that person's absence, the vice-chair or in the vice-chair's absence, an alternate designated by the committee, shall:

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- (a) preside at committee meetings;
  - (b) ensure that meetings of the executive resources committee are held in accordance with this charter; and
  - (c) review, and modify if necessary the agenda of the meetings of this committee in advance to ensure that the committee may effectively carry out its duties.
3. The committee shall designate its secretariat.
  4. A quorum for the meetings of the committee shall be three members.
  5. Meetings of the committee may be called by any member.
  6. The committee and, with the approval of the committee, any member, may engage independent counsel and other advisors at the expense of the corporation.
  7. The committee shall:
    - (a) monitor the performance of the chief executive officer at least annually.
    - (b) review and approve corporate goals and objectives relevant to compensation of the chief executive officer and evaluate his performance in light of those goals and objectives.
    - (c) review data on competitive compensation practices and review and evaluate policies and programs through which the corporation compensates its employees.
    - (d) approve salary ranges, salaries and other compensation (including supplemental compensation, long term incentive compensation and any other payments for service), for senior management above the vice-president level, including all officers of the corporation, consistent with their performance and their career development.
    - (e) produce an annual report on compensation for inclusion in the corporation's management proxy circular in accordance with applicable legal requirements.
    - (f) review the executive development system to ensure that it:
      - i. foresees the company's senior management requirements;
      - ii. provides for early identification and development of key resources.
    - (g) approve specific succession plans for senior management positions above the level of vice-president.
    - (h) review the company's process in respect of employee conflicts of interest and directorships in non-affiliated commercial, financial and industrial organizations and the disclosures thereof.
    - (i) require attendance at its meetings by members of management, as the committee may direct.
    - (j) review its mandate and its effectiveness at least annually.
    - (k) undertake such additional activities within the scope of its responsibilities as may be deemed appropriate in its discretion.

## APPENDIX 5

### NOMINATIONS AND CORPORATE GOVERNANCE COMMITTEE CHARTER

The structure, process and responsibilities of the nominations and corporate governance committee shall include the following items and matters:

1. The committee shall consist of five members, to be appointed by the board of directors from among the unrelated and independent directors, who shall serve during the pleasure of the board but only so long as they continue to be directors of the corporation.
2. The chair and vice-chair shall be appointed by the board from among the members of the committee. The chair, or in that person's absence, the vice-chair or in the vice-chair's absence, an alternate designated by the committee, shall:
  - (a) preside at committee meetings;
  - (b) ensure that meetings of the nominations and corporate governance committee are held in accordance with this charter; and
  - (c) review, and modify if necessary the agenda of the meetings of this committee in advance to ensure that the committee may effectively carry out its duties.
3. The committee shall designate its secretariat.
4. A quorum for the meetings of the committee shall be three members.
5. Meetings of the committee may be called by any member.

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6. The committee and, with the approval of the committee, any member, may engage independent counsel and other advisors at the expense of the corporation.
  7. The committee shall:
    - (a) oversee issues of corporate governance as they apply to the corporation, including the effectiveness of the system of corporate governance, the evaluation of the overall performance of the board, and the board's relationship with management, and to report to the board on such matters.
    - (b) make recommendations to the board as to the appropriate size of the board with a view to facilitating effective decision-making.
    - (c) review and recommend to the board of directors the procedure for identifying potential nominees for directorships, including guidelines to be used in the selection process.
    - (d) review and recommend to the board of directors any modifications to the charters of the board or any of its committees.
    - (e) review and recommend to the board of directors guidelines to be adopted relating to tenure of directors.
    - (f) assist the chief executive officer to assess potential candidates for directorships and recommend to the board of directors proposed candidates for board membership to fill anticipated vacancies.
    - (g) apply guidelines for board membership to incumbent directors and recommend to the chief executive officer and to the board of directors the slate of director candidates to be proposed for election by the shareholders at the annual meeting.
    - (h) review and recommend the non-employee directors' compensation.
    - (i) require attendances at its meetings by members of management, as the committee may direct.
    - (j) review its mandate and its effectiveness at least annually.
    - (k) undertake such additional activities within the scope of its responsibilities as may be deemed appropriate in its discretion.