



Imperial Oil

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Imperial Oil Limited

# Notice of 2009 Annual Meeting of Shareholders and Management Proxy Circular

## NOTICE OF ANNUAL MEETING

Imperial Oil Limited invites you to attend the annual meeting of shareholders on April 30, 2009 in Calgary, Alberta

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, South Building, Macleod Hall, 120 Ninth Avenue S.E., Calgary, Alberta, Canada on Thursday, April 30, 2009, at 9:30 a.m. (MDT).

The meeting is called for the following purposes:

1. to consider the consolidated financial statements for the year ended December 31, 2008, and the auditors' report,
2. to reappoint the auditor for the ensuing year,
3. to elect directors for the ensuing year, and
4. to consider other business that may properly be brought before the meeting or any adjournment of the meeting.

It is important that your shares be represented at the meeting and that your wishes on matters for decision at the meeting are 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, prior to 5:00 p.m. (EDT) on April 28, 2009, or two days (excluding Saturdays, Sundays or statutory holidays) prior to any adjournment of the meeting.

The effective date of the Management Proxy Circular is February 13, 2009 on which there were 856,836,280 common shares outstanding.

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 website at [www.imperialoil.ca](http://www.imperialoil.ca) several days prior to the meeting.

A handwritten signature in blue ink that reads "B.H. March".

B.H. (Bruce) March  
Chairman, president and chief executive officer  
March 13, 2009

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# Management Proxy Circular

## I. Proxy Information and Voting Instructions

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.

### 1. Q: How do I know what type of shareholder I am?

**A:** You are a **registered shareholder** if you hold shares in your own name and hold an actual certificate for these shares that indicates the number of shares you hold in the company. To vote as a registered shareholder, please refer to Q&A No. 4 for a description of the procedure to be followed to vote your shares. Alternatively, you may follow the instructions found on the proxy form.

You are a **non-registered shareholder** if you purchased your shares through a broker or intermediary and your account remains with them. The shares are held in the name of the brokerage firm and you do not hold an actual certificate of these shares, but rather the account is recorded on an electronic system. To vote as a non-registered shareholder, please refer to Q&A No. 5 for a description of the procedure to be followed or you may follow the instructions found on the voting information form delivered by your broker or intermediary.

If you are unsure about whether you are a registered or non-registered shareholder, please contact our transfer agent, CIBC Mellon Trust Company. Please refer to Q&A No. 13 for the contact information.

### 2. 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 April 30, 2009. Proxies from registered shareholders will be solicited primarily by mail, but may also be solicited personally by employees of the company. 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.

### 3. Q: Who is entitled to vote?

**A:** Shareholders as of 5:00 p.m. (EST) on March 2, 2009, 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. (EST) on March 2, 2009. This was the record date for determining which shareholders are entitled to vote at the meeting. No person acquiring common shares after such date is 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 were sent to shareholders on March 13, 2009. Each common share registered in your name in the list of shareholders entitles you to one vote at the annual meeting. The company is authorized to issue 1,100,000,000 common shares and as at February 13, 2009, there were 856,836,280 common shares outstanding. The quorum for the annual meeting is five shareholders.

### 4. 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.

Registered shareholders can return the proxy form to the company's transfer agent, CIBC Mellon Trust Company, in the envelope that has been provided or by fax to 416-368-2502, Attention: Proxy Department, so that it is received by 5:00 p.m. (EDT) on Tuesday, April 28, 2009.

All shares represented by properly completed proxies received by CIBC Mellon Trust Company prior to 5:00 p.m. (EDT) on Tuesday, April 28, 2009, or two days (excluding Saturdays, Sundays or statutory holidays) prior to any adjournment of the meeting, 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.

If your shares are **not registered** in your name, but are held in the name of a nominee (a bank, trust company, securities broker or other financial institution), please see Q&A No. 5 for voting instructions.

In the absence of instructions, the shares will be voted **FOR** the reappointment of the auditor and **FOR** the election of nominated directors as stated in **bold blue type** on pages 6 and 7.

**5. 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 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.

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

**A:** Signing the enclosed proxy form gives authority to B.H. March, P.A. Smith or S.D. Whittaker, all of whom are directors of the company, to vote your shares at the meeting.

**7. 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, 2009.**

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

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

**A:** The reappointment of the auditor of the company and the election of the directors.

**9. 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 or variations of matters identified in the invitation to attend the 2009 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, variation or other matter to be presented for action at the meeting.

**10. 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.

**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 Tuesday, April 28, 2009, then the shares represented by the revoked proxy can only be voted in person by a registered shareholder at the annual meeting.

Non-registered shareholders should contact their broker, financial institution or other nominee through whom their shares are held in order to revoke any previous submitted proxy or voting instructions.

**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.

**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 CIBC Mellon Trust Company, our transfer agent and registrar,

**by mail:** PO Box 7010, Adelaide St. Postal Station, Toronto, Ontario, Canada M5C 2W9,

**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,

**by fax:** (416) 643-5501,

**by email:** [inquiries@cibcmellon.com](mailto:inquiries@cibcmellon.com),

**or on-line:** [www.cibcmellon.com](http://www.cibcmellon.com).

## **II. Business of the Meeting**

### **(i) Consolidated Financial Statements and Auditors' Report**

The audited consolidated financial statements of the company for the year ended December 31, 2008 and the auditors' report thereon will be received at the meeting. The statements and the auditors' report are contained in the 2008 annual report of the company, which has been made available to each shareholder entitled to receive a copy of this circular. Copies can also be obtained on our website at [www.imperialoil.ca](http://www.imperialoil.ca) and they have also been reported online on SEDAR at [www.sedar.com](http://www.sedar.com).

### **(ii) Reappointment of the Auditor**

The audit committee of the board of directors recommends that PricewaterhouseCoopers LLP ("PwC") be reappointed as the auditor of the company until the close of the next annual meeting. PwC has been the auditor 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 auditor, the proposed proxyholders named in the accompanying proxy intend to use it to vote FOR the reappointment of PwC as the auditor of the company to hold office until the close of the next annual meeting.**

## Auditor 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, 2008 and December 31, 2007 were as follows:

Dollars (thousands)	2008	2007
Audit fees	1,140	1,117
Audit-related fees	62	62
Tax fees	176	942
All other fees	Nil	Nil
Total fees	1,378	2,121

Audit fees include the audit of the company's annual financial statements and internal control over financial reporting, and a review of the first three quarterly financial statements in 2008. Audit-related fees include other assurance services including the audit of the company's retirement plan and royalty statement audits for oil and gas producing entities. Tax fees are mainly tax services for employees on foreign loan assignments. 2008 was the final year of PwC providing tax services for the company's employees on foreign loan assignment. The company did not engage the auditor for any other services.

Certain other information regarding the company's audit committee that is required to be disclosed in Multilateral Instrument 52-110 *Audit Committees* is contained in the company's Annual Report on Form 10-K for the year ended December 31, 2008 filed on the company's SEDAR profile at [www.sedar.com](http://www.sedar.com), and on the company's website at [www.imperialoil.ca](http://www.imperialoil.ca).

## (iii) Election of Directors

The company currently has eight directors. The articles of the company require that the board have between five and fifteen directors. Each director is elected to hold office until the close of the next annual meeting. The proxy provides for instructions for a shareholder to withhold from voting for any or all of the nominees for election as directors. See pages 8 through 15 for more information on the eight directors nominated for election.

**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.**

Director nominees are: Krystyna T. Hoeg, Bruce H. March, Jack M. Mintz, Robert C. Olsen, Roger Phillips, Paul A. Smith, Sheelagh D. Whittaker and Victor L. Young.

## (iv) Other Business

Management of the company does not intend on presenting any other business and is not aware of any amendments to the proposed business that have been presented for action by the shareholders other than those mentioned herein or in the notice of meeting.

## III. Board of Directors

### *Nominees for Election as Director*

The following charts provide information on the eight nominees proposed for election to the board of directors of the company. All of the nominees are now directors and have been since the dates indicated. Included in these charts is information relating to the directors' biographies, independence status, committee memberships, public board memberships and holdings as of February 13, 2009, the effective date of this circular. 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.

**Krystyna T. Hoeg**  
(age 59)



Toronto, Ontario, Canada

**Position:** Nonemployee director

**Independent**

Director since May 1, 2008

Ms. Hoeg was the president and chief executive officer of Corby Distilleries Limited from 1996 until her retirement in February 2007. She previously held several positions in the finance and controllers functions of Allied Domecq PLC and Hiram Walker & Sons Limited. Prior to that, she spent five years in public practice as a chartered accountant with the accounting firm of Touche Ross. She is currently a director of Sun Life Financial Inc., Shoppers Drug Mart Corporation, Canadian Pacific Railway Limited, Canadian Pacific Railway Company and Cineplex Galaxy Income Fund, and is also a director of Ganong Brothers Limited and Samuel, Son & Co. Limited, both of which are privately owned corporations. Ms. Hoeg sits on the board of the Woodrow Wilson Center, Canadian Institute (Advisory Council) and Toronto East General Hospital.

**Board and Committee Membership**

**Attendance in 2008 \***

Board and Committee Membership	Attendance in 2008 *	
Imperial Oil Limited Board	6 of 6	100%
Audit Committee	0 of 2	0%
Executive Resources Committee	4 of 4	100%
Environment, Health and Safety Committee	2 of 2	100%
Nominations and Corporate Governance Committee	2 of 2	100%
Imperial Oil Foundation Board (Chair)	3 of 3	100%

(\* became a director and was appointed to all committees on May 1, 2008)

**Imperial Oil Limited Securities Held (1) (2) (3) (6)**

Common Shares	Deferred Share Units (DSU)	Restricted Stock Units (RSU)	Total Common Shares, DSU and RSU	Total Market Value of Common Shares, DSU and RSU (\$)
0	1,931	2,000	3,931	153,977

**Imperial Oil Limited Options Held (4) (6)**

Date Granted	Expiry Date	Number Granted	Exercise Price	Total Number of Unexercised Options	Total Value of Unexercised Options (\$)
--	--	--	--	--	--

**Imperial Oil Limited Incentive Share Units Held (5) (6)**

Date Granted	Expiry Date	Number Granted	Exercise Price	Total Number of Unexercised Units	Total Value of Unexercised Units (\$)
--	--	--	--	--	--

**Exxon Mobil Corporation Securities Held (1) (3) (7)**

Common Shares	Restricted Stock	Total Common Shares and Restricted Stock	Total Market Value of Common Shares and Restricted Stock (\$)
0	0	0	0

**Exxon Mobil Corporation Options Held (7)**

Date Granted	Expiry Date	Number Granted	Exercise Price	Total Number of Unexercised Options	Total Value of Unexercised Options (\$)
--	--	--	--	--	--

**Other Public Board Memberships**

- Sun Life Financial Inc. (TSX, NYSE: SLF)
- Shoppers Drug Mart Corporation (TSX: SC)
- Canadian Pacific Railway Limited (TSX, NYSE: CP)
- Canadian Pacific Railway Company (NYSE, London: CPRY)
- Cineplex Galaxy Income Fund (TSX: CGX)

**Bruce H. March**  
(age 52)



Calgary, Alberta, Canada

**Current Position:** Chairman, President and Chief Executive Officer, Imperial Oil Limited

**Not independent**

Director since January 1, 2008

Mr. March is currently chairman, president and chief executive officer of Imperial Oil Limited and has been a director of Imperial since January 1, 2008. A native of Middleport, New York, he joined Mobil Oil at the Buffalo Refinery as a project engineer in 1980 and advanced through increasingly responsible management assignments in refining, supply and environment, health and safety. He was named production manager at the Beaumont Refinery in 1993. In 1997, Mr. March was appointed manager, product supply and trading for Mobil's Europe/Middle East supply transportation area, and became a senior advisor, operations with ExxonMobil's global Refining & Supply Company in 2000. In 2003, he became manager, Baton Rouge Refinery, and in 2006 was the project executive for a Qatar Gas to Liquids project with ExxonMobil Development Company. In 2007, Mr. March was appointed as director, refining Europe/Africa/Middle East with ExxonMobil Petroleum & Chemicals BVBA in Brussels, Belgium.

**Board and Committee Membership**

**Attendance in 2008**

**Board Membership:**

Imperial Oil Limited Board

10 of 10

**100%**

**Committee Memberships:**

(as chairman, president and CEO, Mr. March attends meetings of Board Committees, but as a non-voting participant only)

**Imperial Oil Limited Securities Held (1) (2) (3) (6)**

Common Shares	Deferred Share Units (DSU)	Restricted Stock Units (RSU)	Total Common Shares, DSU and RSU	Total Market Value of Common Shares, DSU and RSU (\$)
5,000	0	43,300	48,300	1,891,911

**Imperial Oil Limited Options Held (4) (6)**

Date Granted	Expiry Date	Number Granted	Exercise Price	Total Number of Unexercised Options	Total Value of Unexercised Options (\$)
--	--	--	--	--	--

**Imperial Oil Limited Incentive Share Units Held (5) (6)**

Date Granted	Expiry Date	Number Granted	Exercise Price	Total Number of Unexercised Units	Total Value of Unexercised Units (\$)
--	--	--	--	--	--

**Exxon Mobil Corporation Securities Held (1) (3) (7)**

Common Shares	Restricted Stock	Total Common Shares and Restricted Stock	Total Market Value of Common Shares and Restricted Stock (\$)
27,185	44,750	71,935	6,671,090

**Exxon Mobil Corporation Options Held (7)**

Date Granted	Expiry Date	Number Granted	Exercise Price	Total Number of Unexercised Options	Total Value of Unexercised Options (\$)
1999 - 2001	2009 - 2011	82,028	various	44,758	1,895,635

**Other Public Board Memberships**

**Last major position or office with the company or Exxon Mobil Corporation**

Not currently serving on any other public company board

President, Imperial Oil Limited

**Jack M. Mintz**  
(age 57)



Calgary, Alberta, Canada

**Position:** Nonemployee director

**Independent**

Director since April 21, 2005

Dr. Mintz is currently the Palmer Chair in Public Policy for the University of Calgary. Prior to that he was a professor at the Joseph L. Rotman School of Management at the University of Toronto from 1989. Dr. Mintz is a director of Brookfield Asset Management, the Ontario Financing Authority Board and the Royal Ontario Museum. Dr. Mintz has published widely in the fields of public economics and fiscal federalism and has frequently published articles in the national newspapers and magazines.

**Board and Committee Membership**

**Attendance in 2008**

Imperial Oil Limited Board	9 of 10	<b>90%</b>
Audit Committee	5 of 5	<b>100%</b>
Executive Resources Committee	8 of 8	<b>100%</b>
Environment, Health and Safety Committee ( <b>Chair</b> )	3 of 3	<b>100%</b>
Nominations and Corporate Governance Committee	3 of 4	<b>75%</b>
Imperial Oil Foundation Board	4 of 4	<b>100%</b>

**Imperial Oil Limited Securities Held (1) (2) (3) (6)**

Common Shares	Deferred Share Units (DSU)	Restricted Stock Units (RSU)	Total Common Shares, DSU and RSU	Total Market Value of Common Shares, DSU and RSU (\$)
1,000	3,063	8,500	12,563	492,093

**Imperial Oil Limited Options Held (4) (6)**

Date Granted	Expiry Date	Number Granted	Exercise Price	Total Number of Unexercised Options	Total Value of Unexercised Options (\$)
--	--	--	--	--	--

**Imperial Oil Limited Incentive Share Units Held (5) (6)**

Date Granted	Expiry Date	Number Granted	Exercise Price	Total Number of Unexercised Units	Total Value of Unexercised Units (\$)
--	--	--	--	--	--

**Exxon Mobil Corporation Securities Held (1) (3) (7)**

Common Shares	Restricted Stock	Total Common Shares and Restricted Stock	Total Market Value of Common Shares and Restricted Stock (\$)
0	0	0	0

**Exxon Mobil Corporation Options Held (7)**

Date Granted	Expiry Date	Number Granted	Exercise Price	Total Number of Unexercised Options	Total Value of Unexercised Options (\$)
--	--	--	--	--	--

**Other Public Board Memberships**

- Brookfield Asset Management Inc. (TSX, NYSE: BAM)

**Robert C. Olsen**  
(age 58)



Houston, Texas, United States of America

**Current Position:** Executive Vice-President, ExxonMobil Production Company

**Not independent**

Director since May 1, 2008.

Mr. Olsen is the executive vice-president of the ExxonMobil Production Company with responsibility for ExxonMobil's global oil and gas producing operations. He is located in Houston, Texas. Mr. Olsen has worked for ExxonMobil in a range of upstream management assignments in the United States, Asia, Russia, Australia, and Europe. In his previous position, he was located in London as chairman and production director of ExxonMobil International Limited with responsibility for the company's producing businesses in Europe, the Caspian and Russia.

**Board and Committee Membership**

**Attendance in 2008 \***

Imperial Oil Limited Board	6 of 6	<b>100%</b>
Executive Resources Committee	3 of 3	<b>100%</b>
Environment, Health and Safety Committee	1 of 1	<b>100%</b>
Nominations and Corporate Governance Committee	1 of 1	<b>100%</b>

(\* became a director on May 1, 2008 and was appointed to the three committees noted above on July 31, 2008)

**Imperial Oil Limited Securities Held (1) (2) (3) (6)**

Common Shares	Deferred Share Units (DSU)	Restricted Stock Units (RSU)	Total Common Shares, DSU and RSU	Total Market Value of Common Shares, DSU and RSU (\$)
3,000	0	0	3,000	117,510

**Imperial Oil Limited Options Held (4) (6)**

Date Granted	Expiry Date	Number Granted	Exercise Price	Total Number of Unexercised Options	Total Value of Unexercised Options (\$)
--	--	--	--	--	--

**Imperial Oil Limited Incentive Share Units Held (5) (6)**

Date Granted	Expiry Date	Number Granted	Exercise Price	Total Number of Unexercised Units	Total Value of Unexercised Units (\$)
--	--	--	--	--	--

**Exxon Mobil Corporation Securities Held (1) (3) (7)**

Common Shares	Restricted Stock	Total Common Shares and Restricted Stock	Total Market Value of Common Shares and Restricted Stock (\$)
105,854	161,700	267,554	24,812,355

**Exxon Mobil Corporation Options Held (7)**

Date Granted	Expiry Date	Number Granted	Exercise Price	Total Number of Unexercised Options	Total Value of Unexercised Options (\$)
1999 - 2001	2009 - 2011	174,000	various	174,000	7,222,194

**Other Public Board Memberships**

**Last major position or office with the company or Exxon Mobil Corporation**

Not currently serving on any other public company board

Chairman and Production Director, ExxonMobil International Limited, London, England

**Roger Phillips,**  
O.C., S.O.M., F.Inst.P  
(age 69)



Regina, Saskatchewan,  
Canada

**Position:** Nonemployee  
director

**Independent**

Director 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 Company, Canadian Pacific Railway Limited, Cliffs Natural Resources Inc. 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. Mr. Phillips is a Chartered Physicist (U.K.) and a Fellow of the Institute of Physics.

**Board and Committee Membership**

**Attendance in 2008**

Imperial Oil Limited Board	9 of 10	<b>90%</b>
Audit Committee	5 of 5	<b>100%</b>
Executive Resources Committee ( <b>Chair</b> )	8 of 8	<b>100%</b>
Environment, Health and Safety Committee	3 of 3	<b>100%</b>
Nominations and Corporate Governance Committee	4 of 4	<b>100%</b>
Imperial Oil Foundation Board	4 of 4	<b>100%</b>

**Imperial Oil Limited Securities Held (1) (2) (3) (6)**

Common Shares	Deferred Share Units (DSU)	Restricted Stock Units (RSU)	Total Common Shares, DSU and RSU	Total Market Value of Common Shares, DSU and RSU (\$)
9,000	17,736	12,625	39,361	1,541,770

**Imperial Oil Limited Options Held (4) (6)**

Date Granted	Expiry Date	Number Granted	Exercise Price	Total Number of Unexercised Options	Total Value of Unexercised Options (\$)
--	--	--	--	--	--

**Imperial Oil Limited Incentive Share Units Held (5) (6)**

Date Granted	Expiry Date	Number Granted	Exercise Price	Total Number of Unexercised Units	Total Value of Unexercised Units (\$)
--	--	--	--	--	--

**Exxon Mobil Corporation Securities Held (1) (3) (7)**

Common Shares	Restricted Stock	Total Common Shares and Restricted Stock	Total Market Value of Common Shares and Restricted Stock (\$)
2,000	0	2,000	185,475

**Exxon Mobil Corporation Options Held (7)**

Date Granted	Expiry Date	Number Granted	Exercise Price	Total Number of Unexercised Options	Total Value of Unexercised Options (\$)
--	--	--	--	--	--

**Other Public Board Memberships**

- Canadian Pacific Railway Company (NYSE, London: CPRO)
- Canadian Pacific Railway Limited (TSX, NYSE: CP)
- Cliffs Natural Resources Inc. (NYSE: CLF)
- The Toronto Dominion Bank (TSX, NYSE, Tokyo: TD)

**Paul A. Smith**  
(age 55)



Calgary, Alberta, Canada

**Position:** Senior Vice-President, Finance and Administration, and Treasurer

**Not independent**

Director since February 1, 2002

Mr. Smith has served on the board of the company since February 1, 2002 and currently serves as senior vice-president, finance and administration, and treasurer. Mr. Smith joined Imperial Oil in 1980 and held a variety of financial positions within the company. In 1990, he was appointed to the position of Cold Lake heavy oil plant manager and in 1992, national marketing manager for Imperial's branded associates business. In 1994, he became the controller for Imperial Oil. In 1996, Mr. Smith moved to New Jersey as the assistant controller of Exxon Corporation International and in 1997, he moved to Dallas as the corporate finance manager for Exxon Corporation, now Exxon Mobil Corporation. In 2002, he was appointed as controller and senior vice-president, finance and administration for Imperial Oil. In February 2008, he was appointed to his present position as senior vice-president, finance and administration, and treasurer. Mr. Smith is a member of Financial Executives International Canada.

**Board and Committee Membership**

**Attendance in 2008**

Imperial Oil Limited Board	10 of 10	<b>100%</b>
Imperial Oil Foundation Board	4 of 4	<b>100%</b>

**Imperial Oil Limited Securities Held (1) (2) (3) (6)**

Common Shares	Deferred Share Units (DSU)	Restricted Stock Units (RSU)	Total Common Shares, DSU and RSU	Total Market Value of Common Shares, DSU and RSU (\$)
13,059	0	181,850	194,909	7,634,586

**Imperial Oil Limited Options Held (4) (6)**

Date Granted	Expiry Date	Number Granted	Exercise Price	Total Number of Unexercised Options	Total Value of Unexercised Options (\$)
April 30, 2002	April 29, 2012	75,000	\$15.50	75,000	1,775,250

**Imperial Oil Limited Incentive Share Units Held (5) (6)**

Date Granted	Expiry Date	Number Granted	Exercise Price	Total Number of Unexercised Units	Total Value of Unexercised Units (\$)
1998 - 2001	2008 - 2011	201,000	various	120,000	3,261,900

**Exxon Mobil Corporation Securities Held (1) (3) (7)**

Common Shares	Restricted Stock	Total Common Shares and Restricted Stock	Total Market Value of Common Shares and Restricted Stock (\$)
1,662	0	1,662	154,130

**Exxon Mobil Corporation Options Held (7)**

Date Granted	Expiry Date	Number Granted	Exercise Price	Total Number of Unexercised Options	Total Value of Unexercised Options (\$)
--	--	--	--	--	--

**Other Public Board Memberships**

**Last major position or office with the company or Exxon Mobil Corporation**

Not currently serving on any other public company board	Controller and Senior Vice-President, Finance and Administration
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**Sheelagh D. Whittaker**  
(age 61)



London, England

**Position:** Nonemployee director

**Independent**

Director since April 19, 1996

Ms. Whittaker spent much of her early business career as director and partner with The Canada Consulting Group, now Boston Consulting Group. From 1989 she was president and chief executive officer of Canadian Satellite Communications (Cancom). In 1993, Ms. Whittaker joined Electronic Data Systems of Plano, Texas, one of the world's foremost providers of information technology services. Initially spending several years as president and chief executive officer of EDS Canada, Ms Whittaker then undertook other key leadership roles globally, ultimately serving the company as managing director, United Kingdom, Middle East and Africa, until her retirement from EDS in November 2005.

**Board and Committee Membership**

**Attendance in 2008**

Imperial Oil Limited Board	10 of 10	<b>100%</b>
Audit Committee	5 of 5	<b>100%</b>
Executive Resources Committee	8 of 8	<b>100%</b>
Environment, Health and Safety Committee	3 of 3	<b>100%</b>
Nominations and Corporate Governance Committee <b>(Chair)</b>	4 of 4	<b>100%</b>
Imperial Oil Foundation Board	4 of 4	<b>100%</b>

**Imperial Oil Limited Securities Held (1) (2) (3) (6)**

Common Shares	Deferred Share Units (DSU)	Restricted Stock Units (RSU)	Total Common Shares, DSU and RSU	Total Market Value of Common Shares, DSU and RSU (\$)
9,000	33,426	12,625	55,051	2,156,348

**Imperial Oil Limited Options Held (4) (6)**

Date Granted	Expiry Date	Number Granted	Exercise Price	Total Number of Unexercised Options	Total Value of Unexercised Options (\$)
--	--	--	--	--	--

**Imperial Oil Limited Incentive Share Units Held (5) (6)**

Date Granted	Expiry Date	Number Granted	Exercise Price	Total Number of Unexercised Units	Total Value of Unexercised Units (\$)
--	--	--	--	--	--

**Exxon Mobil Corporation Securities Held (1) (3) (7)**

Common Shares	Restricted Stock	Total Common Shares and Restricted Stock	Total Market Value of Common Shares and Restricted Stock (\$)
0	0	0	0

**Exxon Mobil Corporation Options Held (7)**

Date Granted	Expiry Date	Number Granted	Exercise Price	Total Number of Unexercised Options	Total Value of Unexercised Options (\$)
--	--	--	--	--	--

**Other Public Board Memberships**

Not currently serving on any other public company board

**Victor L. Young,  
O.C.**  
(age 63)



St. John's, Newfoundland and Labrador, Canada

**Position:** Nonemployee director

**Independent**

Director since April 23, 2002

From November 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 and trustee of Bell Aliant Regional Communications Income Fund and a director of 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.

Board and Committee Membership	Attendance in 2008	
Imperial Oil Limited Board	10 of 10	100%
Audit Committee (Chair)	5 of 5	100%
Executive Resources Committee	8 of 8	100%
Environment, Health and Safety Committee	3 of 3	100%
Nominations and Corporate Governance Committee	4 of 4	100%
Imperial Oil Foundation Board	4 of 4	100%

Imperial Oil Limited Securities Held (1) (2) (3) (6)				
Common Shares	Deferred Share Units (DSU)	Restricted Stock Units (RSU)	Total Common Shares, DSU and RSU	Total Market Value of Common Shares, DSU and RSU (\$)
11,250	6,043	12,625	29,918	1,171,888

Imperial Oil Limited Options Held (4) (6)					
Date Granted	Expiry Date	Number Granted	Exercise Price	Total Number of Unexercised Options	Total Value of Unexercised Options (\$)
--	--	--	--	--	--

Imperial Oil Limited Incentive Share Units Held (5) (6)					
Date Granted	Expiry Date	Number Granted	Exercise Price	Total Number of Unexercised Units	Total Value of Unexercised Units (\$)
--	--	--	--	--	--

Exxon Mobil Corporation Securities Held (1) (3) (7)			
Common Shares	Restricted Stock	Total Common Shares and Restricted Stock	Total Market Value of Common Shares and Restricted Stock (\$)
0	0	0	0

Exxon Mobil Corporation Options Held (7)					
Date Granted	Expiry Date	Number Granted	Exercise Price	Total Number of Unexercised Options	Total Value of Unexercised Options (\$)
--	--	--	--	--	--

Other Public Board Memberships
<ul style="list-style-type: none"> <li>Bell Aliant Regional Communications Income Fund (director and trustee) (TSX: BA)</li> <li>BCE Inc. (TSX, NYSE, Other: BCE)</li> <li>Royal Bank of Canada (TSX, NYSE, Other: RY)</li> </ul>

**Footnotes to Directors Tables on pages 8 through 15**

- 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.
- The company's plans for restricted stock units and deferred share units for selected employees and nonemployee directors are described on pages 20 through 22 and 28 through 30.
- The numbers for the company's restricted stock units and deferred share units represent the total of the restricted stock units and deferred share units received in 2006, 2007 and 2008 after the three-for-one share split in May 2006, plus three times the number of restricted stock units and deferred share units granted before the share split and still held by the director. The numbers for Exxon Mobil Corporation restricted stock include restricted stock and restricted stock units granted under its restricted stock plan which is similar to the company's restricted stock unit plan.
- The number for stock options represents the total number of shares which may be purchased at the exercise price of \$15.50 after the three-for-one share split in May 2006.
- The number for incentive share units has been increased to reflect the three-for-one share split in May 2006.
- The value for Imperial Oil Limited common shares, deferred share units, restricted stock units, unexercised options and unexercised incentive share units is based on the closing price for Imperial Oil Limited common shares on the Toronto Stock Exchange of \$39.17 on February 13, 2009.
- The value for Exxon Mobil Corporation common shares, restricted stock and unexercised options is based on the closing price for Exxon Mobil Corporation common shares of \$74.59 U.S., which is converted to Canadian dollars at the noon rate of exchange of 1.2433 provided by the Bank of Canada for February 13, 2009.

## **Board of Directors Mandate**

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

## **Directors Selection Process**

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 Schedule B. 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 members of the nominations and corporate governance committee are independent, with the exception of R.C. Olsen. As an employee of ExxonMobil Production Company, R.C. Olsen is independent of the company's management and is able to assist the nominations and corporate governance committee by reflecting the perspective of the company's shareholders. 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 Schedule B.

## **New Director Orientation**

The vice-president, general counsel and corporate secretary organizes an orientation program for all new directors that include 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 company business information.

## **Continuing Education of Directors**

Continuing education is provided to board members by regular presentations provided by senior management on the main areas of company business. In August or September, 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 September 2008, the board visited the Calgary Research Centre.

## **Committee Memberships of the Directors**

The chart below shows the company's committees and the membership on the committees and the chair of each committee. The members of all committees are independent with the exception of P.A. Smith who is a non-independent director of the board of the Imperial Oil Foundation and R.C. Olsen who is a non-independent member of the nominations and corporate governance committee, the environment, health and safety committee, and executive resources committee. As an employee of ExxonMobil Production Company, R.C. Olsen is independent of the company's management and is able to assist these committees by reflecting the perspective of the company's shareholders. The members of the audit committee are independent and financially literate within the meaning of Multilateral Instrument 52-110 *Audit Committees*.

Director	Board Committees				
	Nominations and Corporate Governance Committee	Audit Committee	Environment Health and Safety Committee	Executive Resources Committee	Imperial Oil Foundation
K.T. Hoeg	√	√	√	√	Chair
B.H. March (1)	-	-	-	-	-
J.M. Mintz	√	√	Chair	√	√
R.C. Olsen (1)	√	-	√	√	-
R. Phillips	√	√	√	Chair	√
P.A. Smith (1)	-	-	-	-	√
S.D. Whittaker	Chair	√	√	√	√
V.L. Young	√	Chair	√	√	√

(1) Not independent directors.

## **Attendance and Number of Meetings held in 2008**

The following provides a summary of board and committee meetings held in 2008. The attendance record of each director nominee is set out in his or her biographical information on pages 8 through 15. Senior management directors and other members of management periodically attend committee meetings at the request of the committee chair.

<b><u>Board or Committee</u></b>	<b><u>Number of Meetings Held in 2008</u></b>
Imperial Oil Limited Board (1)	10
Audit Committee	5
Executive Resources Committee (2)	8
Environment, Health and Safety Committee	3
Nominations and Corporate Governance Committee (3)	4
Imperial Oil Foundation Board	4
Annual Meeting of Shareholders	1

- (1) There were eight regularly scheduled board meetings and two special board meetings. All special board meetings were held by telephone conference.
- (2) There were five regularly scheduled executive resources committee meetings, two special committee meetings held on regularly scheduled board days and one special committee meeting held by telephone conference.
- (3) There were three regularly scheduled nominations and corporate governance committee meetings and one special committee meeting held by telephone conference.

## **Attendance for Directors who ceased to be Directors in 2008**

The following chart shows the attendance record of T.J. Hearn, who retired on March 31, 2008 and the attendance record of R.L. Broiles and J.F. Shepard, who did not stand for re-election as a director on May 1, 2008.

<b>Randy L. Broiles (director until May 1, 2008)</b>		
<b>Board and Committee Membership</b>	<b>Attendance in 2008</b>	
Imperial Oil Limited Board	5 of 5	100%
<b>Tim J. Hearn (director until March 31, 2008)</b>		
<b>Board and Committee Membership</b>	<b>Attendance in 2008</b>	
Imperial Oil Limited Board	4 of 4	100%
<b>James F. Shepard (director until May 1, 2008)</b>		
<b>Board and Committee Membership</b>	<b>Attendance in 2008</b>	
Imperial Oil Limited Board	4 of 5	80%
Audit Committee (Chair)	3 of 3	100%
Executive Resources Committee	4 of 4	100%
Environment, Health and Safety Committee	1 of 1	100%
Nominations and Corporate Governance Committee	2 of 2	100%
Imperial Oil Foundation Board	1 of 1	100%

## Share Ownership Guidelines for Directors

Directors are required to hold the equivalent of at least 15,000 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.

Director	Director Since	Amount acquired since last report (February 15, 2008 to February 13, 2009)	Total Holdings (includes common shares, deferred share units and restricted stock units)	Minimum Requirement	Minimum Requirement Achieved	Date Required to Achieve Minimum Requirement
K.T. Hoeg	May 1, 2008	3,931	3,931	15,000	No	May 1, 2013
B.H. March (1)	January 1, 2008	43,300	48,300	15,000	Yes	January 1, 2013
J.M. Mintz	April 21, 2005	1,879	12,563	15,000	No	April 21, 2010
R.C. Olsen	May 1, 2008	3,000	3,000	15,000	No	May 1, 2013
R. Phillips	April 23, 2002	3,349	39,361	15,000	Yes	April 23, 2007
P.A. Smith	February 1, 2002	(8,678)	194,909	15,000	Yes	February 1, 2007
S.D. Whittaker	April 19, 1996	3,474	55,051	15,000	Yes	April 19, 2001
V.L. Young	April 23, 2002	2,223	29,918	15,000	Yes	April 23, 2007

(1) Paragraph 10(b) of the Board of Directors Charter attached as Schedule B also provides that B.H. March, as chairman, president and chief executive officer shall, within three years of his appointment as chairman and chief executive officer, acquire shares of the company, including common shares, deferred share units and restricted stock units, of a value of no less than five times his base salary. B.H. March has not yet achieved this requirement.

## Independence of Directors

The current board of directors is composed of eight directors, the majority of whom (five out of eight) 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. Two of the three non-independent directors, B.H. March and P.A. Smith, are employees of the company and are the chairman, president and chief executive officer and the senior vice-president, finance and administration, and treasurer, respectively. R.C. Olsen is also a non-independent director as he is an employee of ExxonMobil Production Company. 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 company believes that Mr. Olsen, although non-independent by virtue of his employment with ExxonMobil Production Company, can be viewed as independent of the company's management and that his ability to reflect the perspective of the company's shareholders enhances the effectiveness of the board.

Name of Director	Management	Independent	Not Independent	Reason for Non-Independent Status
K.T. Hoeg		√		
B.H. March	√		√	B.H. March is chairman, president and chief executive officer of Imperial Oil Limited.
J.M. Mintz		√		
R.C. Olsen			√	R.C. Olsen is executive vice-president of ExxonMobil Production Company.
R. Phillips		√		
P.A. Smith	√		√	P.A. Smith is senior vice-president, finance and administration, and treasurer of Imperial Oil Limited.
S.D. Whittaker		√		
V.L. Young		√		

## **Independent Director Executive Sessions**

The independent directors conduct executive sessions following every regular board meeting and as required by the independent directors. These meetings are held 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 eight executive sessions in 2008.

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 Schedule B.

## **Other Public Company Directorships**

The following table shows which current directors serve on the boards of other reporting issuers and the committee membership in those companies.

<b>Name of Director</b>	<b>Other reporting issuers of which Director is also a director</b>	<b>Committee Appointments</b>
K.T. Hoeg	Sun Life Financial Inc.	Audit Committee (Chair)
		Risk Review Committee
	Shoppers Drug Mart Corporation	Corporate Governance and Nominations Committee
	Canadian Pacific Railway Limited	Audit Committee
		Pension Committee
	Canadian Pacific Railway Company	Audit Committee
Cineplex Galaxy Income Fund	Compensation, Nominating and Corporate Governance Committee	
B.H. March	--	--
J.M. Mintz	Brookfield Asset Management Inc.	Audit Committee
R.C. Olsen	--	--
R. Phillips	Canadian Pacific Railway Limited	Audit Committee (Chair)
		Governance and Nominating Committee
		Pension Committee
	Canadian Pacific Railway Company	Audit Committee (Chair)
	Cliffs Natural Resources Inc.	Board Affairs Committee
		Compensation and Organization Committee
The Toronto-Dominion Bank	Corporate Governance Committee	
P.A. Smith	--	--
S.D. Whittaker	--	--
V.L. Young	Bell Aliant Regional Communications Income Fund	Governance Committee
		Management Resources and Compensation Committee
	BCE Inc.	Audit Committee
		Pension Fund Committee
	Royal Bank of Canada	Audit Committee
		Human Resources Committee

## ***Interlocking Directorships and Committee Memberships***

The following table shows which current directors served on the same board and committees of another reporting issuer. The board does not believe that these interlocking board memberships adversely impact the effectiveness of those directors on the company's board.

<b>Company</b>	<b>Director</b>	<b>Committee Membership</b>
Canadian Pacific Railway Limited	K.T. Hoeg	Audit Committee
		Pension Committee
	R. Phillips	Audit Committee
		Governance and Nominating Committee
		Pension Committee
Canadian Pacific Railway Company	K.T. Hoeg	Audit Committee
	R. Phillips	Audit Committee

## ***Directors' Compensation***

Director compensation elements are designed to:

- ensure alignment with long-term shareholder interests;
- provide motivation to promote sustained improvement in the company's business performance and shareholder value;
- ensure the company can attract and retain outstanding director candidates who meet the selection criteria outlined in Section 9 of the board of directors charter attached as Schedule B;
- recognize the substantial time commitments necessary to oversee the affairs of the company; and
- support the independence of thought and action expected of directors.

Nonemployee director compensation levels are reviewed by the nominations and corporate governance committee each year, and resulting recommendations are presented to the full board for approval.

Employees of the company or ExxonMobil receive no extra pay for serving as directors. Nonemployee directors receive compensation consisting of cash and restricted stock units. Since 1999, the nonemployee directors have been able to receive all or part of their cash directors' fees in the form of deferred share units. 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. 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. The deferred share unit plan is described in more detail on page 30.

In 2008, the base cash retainer for nonemployee directors was \$100,000 per year. Nonemployee directors were paid \$20,000 for membership on all board committees. Additionally, each board committee chair received a retainer of \$10,000 for each committee chaired. Nonemployee directors were not paid a fee for attending board and committee meetings on each of the eight regularly-scheduled meeting days. However, they were eligible to receive a fee of \$2,000 per board or committee meeting occurring on any other day. Four board and committee meetings occurred outside of the eight regularly-scheduled meeting days.

The following table shows the portion of the annual retainer for board membership, annual retainer for committee membership and annual retainer for committee chair which each nonemployee director elected to receive in cash and deferred share units in 2008.

	<b>Election for 2008 Director Fees in Cash (%)</b>	<b>Election for 2008 Director Fees in Deferred Share Units (%)</b>
K.T. Hoeg (Director since May 1, 2008)	0	100
J.M. Mintz	50	50
R. Phillips	0	100
J.F. Shepard (Director until May 1, 2008)	0	100
S.D. Whittaker	0	100
V.L. Young	75	25

In addition to the cash fees described above, the company pays a significant portion of director compensation in restricted stock units to align director compensation with the long-term interests of shareholders. Restricted stock units are awarded annually with 50 percent vesting in cash three years from the date of grant and the remaining 50 percent vesting on the seventh anniversary of the grant date. Directors can elect to receive one common share for each unit or a cash payment for the units to be exercised on the seventh anniversary of the date of grant of the restricted stock units. The vesting periods are not accelerated upon separation or retirement from the board, except in the event of death. The restricted stock unit plan is described in more detail on pages 28 through 30. In 2008, each nonemployee director received an annual grant of 2,000 restricted stock units.

### **Components of Directors' Compensation**

Director	Annual Retainer for Board Membership (\$)	Annual Retainer for Committee Membership (\$)	Annual Retainer for Committee Chair (\$)	Restricted Stock Units (RSU) (#)	Fee for Board and Committee Meetings Not Regularly Scheduled		Total Cash (\$) (1)	Total Deferred Share Units (DSU) (\$) (2)	Total Restricted Stock Units (\$) (3)	Total Compensation (\$)
					Number of non-regularly scheduled meetings attended (#)	Fee (\$2,000 x number of non-regularly scheduled meetings attended) (\$)				
K.T. Hoeg (Director since May 1, 2008)	66,944	13,388 (IOF)	6,694	2,000	0	0	0	87,027	73,200	160,227
J.M. Mintz	100,000	20,000 (EH&S)	10,000	2,000	2	4,000	69,000	65,000	73,200	207,200
R. Phillips	100,000	20,000 (ERC)	10,000	2,000	2	4,000	4,000	130,000	73,200	207,200
J.F. Shepard (Director until May 1, 2008)	33,611	6,722 (AC)	3,361	0	2	4,000	4,000	43,694	0	47,694
S.D. Whittaker	100,000	20,000 (N&CG)	10,000	2,000	4	8,000	8,000	130,000	73,200	211,200
V.L. Young	100,000	20,000 (AC)	10,000	2,000	4	8,000	105,500	32,500	73,200	211,200

- (1) "Total Cash" is the portion of the "Annual Retainer for Board Membership", "Annual Retainer for Committee Membership" and "Annual Retainer for Committee Chair" which the director elected to receive as cash, plus the "Fee for Board and Committee Meetings Not Regularly Scheduled". This amount is reported as "Fees Earned" in the Director Compensation Table on page 22.
- (2) "Total Deferred Share Units" is the portion of the "Annual Retainer for Board Membership", "Annual Retainer for Committee Membership", and "Annual Retainer for Committee Chair", which the director elected to receive as deferred share units, as set out in the previous table on page 21. This amount plus the "Total Restricted Stock Units" amount is shown as "Share-based Awards" in the Director Compensation Table on page 22.
- (3) 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.

On November 20, 2008, the board amended the restricted stock unit plan to provide that the board will no longer have the general discretion to cancel restricted stock units awarded to a nonemployee director subsequent to leaving the company's board. Previously, the board had to approve the retention of restricted stock units when the nonemployee director left the board. The objective of this language was to encourage board members to remain on the board until standard retirement time, thereby ensuring board member alignment with long-term shareholder value. It has been determined by the board that, to reinforce the independence of each board member, this provision of the incentive plan language for nonemployee directors would be removed. This change applies to the terms of all outstanding restricted stock units and any restricted stock unit grants going forward. However, while on the board and for a 24-month period after leaving the company's board, restricted stock units may be forfeited if the nonemployee director engages in direct competition with the company or otherwise engages in any activity detrimental to the company. The board agreed that the word "detrimental" shall not include any actions taken by a nonemployee director or former nonemployee director who acted in good faith and in the best interests of the company.

### **Compensation Decision Making Process and Considerations**

The nominations and corporate governance committee relies on market comparisons with a group of 21 major Canadian companies with national and international scope and complexity. The company draws its non-employee directors from a wide variety of industrial sectors, so a broad sample is appropriate for this purpose. The nominations and corporate governance committee does not target any specific percentile among comparator companies at which to align compensation for this group, but rather considers current developments and practices in director compensation elements based on analysis of published management proxy circulars completed every two years. The 21 comparator companies included in the benchmark sample are as follows:

<b>Comparator Companies – Non-Employee Directors</b>		
Alcan Inc.	EnCana Corporation	Bank of Nova Scotia
Bank of Montreal	George Weston Limited	Sun Life Financial Inc.
BCE Inc.	Manulife Financial Corporation	Suncor Energy Inc.
Bombardier Inc.	Nortel Networks Corporation	TELUS Corporation
Canadian Imperial Bank of Commerce	Petro-Canada	Thomson Reuters Corporation
Canadian National Railway Company	Power Financial Corporation	The Toronto-Dominion Bank
Canadian Pacific Railway Limited	Royal Bank of Canada	TransCanada Corporation

### **Director Compensation Table**

The following table summarizes the compensation paid, payable, awarded or granted for 2008 to each of the independent directors of the company.

<b>Name (1)</b>	<b>Fees Earned (\$)(3)</b>	<b>Share-based awards (\$)(4)</b>	<b>Option-based awards (\$)</b>	<b>Non-equity incentive plan compensation (\$)</b>	<b>Pension value (#)</b>	<b>All other compensation (\$)</b>	<b>Total (\$)</b>
K.T. Hoeg (2) (Director since May 1, 2008)	0	160,227	-	-	-	-	160,227
J.M. Mintz (2)	69,000	138,200	-	-	-	-	207,200
R. Phillips (2)	4,000	203,200	-	-	-	-	207,200
J.F. Shepard (2) (Director until May 1, 2008)	4,000	43,694	-	-	-	-	47,694
S.D. Whittaker (2)	8,000	203,200	-	-	-	-	211,200
V.L. Young (2)	105,500	105,700	-	-	-	-	211,200

- (1) As directors employed by the company or Exxon Mobil Corporation, T.J. Hearn, B.H. March, R.L. Broiles, P.A. Smith and R.C. Olsen did not receive compensation for acting as directors.
- (2) 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.
- (3) Represents all fees awarded, earned, paid or payable in cash for services as a director, including retainer fees, committee, chair and meeting fees.
- (4) 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 dollar value of deferred share units shown is the value of the portion of the "Annual Retainer for Board Membership", "Annual Retainer for Committee Membership" and "Annual Retainer for Committee Chair" which the director elected to receive as deferred share units as noted on page 21.

## Outstanding share-based awards and option-based awards for directors

The following table sets forth all outstanding awards held by independent directors of the company as at December 31, 2008.

Name (1)	Option-based Awards				Share-based Awards	
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option Expiration Date	Value of unexercised in-the-money options (\$)	Number of shares or units of shares that have not vested (#) (2)	Market or payout value of share-based awards that have not vested (\$) (3)
K.T. Hoeg (Director since May 1, 2008)	-	-	-	-	3,931	161,131
J.M. Mintz	-	-	-	-	11,563	473,967
R. Phillips	-	-	-	-	30,361	1,244,497
J.F. Shepard (Director until May 1, 2008)	-	-	-	-	10,625	435,519
S.D. Whittaker	-	-	-	-	46,051	1,887,630
V.L. Young	-	-	-	-	18,668	765,201

(1) As directors employed by the company or Exxon Mobil Corporation, T.J. Hearn, B.H. March, R.L. Broiles, P.A. Smith and R.C. Olsen did not receive compensation for acting as directors.

(2) Includes restricted stock units and deferred share units held as of December 31, 2008.

(3) Value is based on the closing price of the company's shares on December 31, 2008.

## Incentive plan awards for directors – value vested or earned during the year

The following table sets forth the value of the awards that vested or were earned by each independent director of the company in 2008.

Name (1)	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
K.T. Hoeg (Director since May 1, 2008)	-	0	-
J.M. Mintz (2)	-	59,135	-
R. Phillips (2)	-	59,135	-
J.F. Shepard (2) (3) (Director until May 1, 2008)	-	1,443,396	-
S.D. Whittaker (2)	-	59,135	-
V.L. Young (2)	-	59,135	-

(1) As directors employed by the company or Exxon Mobil Corporation, T.J. Hearn, B.H. March, R.L. Broiles, P.A. Smith and R.C. Olsen did not receive compensation for acting as directors.

(2) Includes restricted stock units granted in 2005 and vesting in 2008.

(3) For J.F. Shepard, the value includes deferred share units that vested as of his retirement date from the board on May 1, 2008.

## ***Director Performance Assessment***

The board and its committees are assessed on an annual basis, as well as the performance of the directors. 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.

## **IV. Company Executives and Executive Compensation**

### ***Named Executive Officers of the Company***

The named executive officers of the company at the end of 2008 were:

B.H. (Bruce) March, Chairman, president and chief executive officer;  
P.A. (Paul) Smith, Senior vice-president, finance and administration, and treasurer;  
R.L. (Randy) Broiles, Senior vice-president, resources division;  
C.W. (Chris) Erickson, Vice-president and general manager, refining and supply; and  
S.M. (Simon) Smith, Vice-president and general manager, fuels marketing.

T.J. (Tim) Hearn was chairman and chief executive officer from January 1, 2008 until his retirement on March 31, 2008.

### ***Senior Executive Compensation***

The executive resources committee of the board of directors is composed of the five independent directors and R.C. Olsen, who is employed by ExxonMobil Production Company. The executive resources committee is responsible for corporate policy on compensation and for specific decisions on the compensation of the chief executive officer and key senior executives and officers reporting directly to that position. In addition to compensation matters, the committee is also responsible for succession plans and appointments to senior executive and officer positions, including the chief executive officer.

During 2008, the membership of the executive resources committee was as follows:

R. Phillips - Chair  
V.L. Young - Vice-chair  
K.T. Hoeg (since May 2008)  
J.M. Mintz  
R.C. Olsen (since July 2008)  
J.F. Shepard (until May 2008)  
S.D. Whittaker

B.H. March periodically attends meetings at the request of the committee.

### ***Report of Executive Resources Committee on Executive Compensation***

The Executive Resources Committee of the Board of Directors has reviewed and discussed the "Compensation Discussion and Analysis" for 2008 with management of the company. Based on that review and discussion, the committee recommended to the board that the "Compensation Discussion and Analysis" be included in the company's management proxy circular for the 2009 annual meeting of shareholders.

Submitted on behalf of the executive resources committee:

R. Phillips - Chair	J.M. Mintz
V.L. Young - Vice-chair	R.C. Olsen
K.T. Hoeg	S.D. Whittaker

# ***Compensation Discussion and Analysis***

## **Overview**

Providing energy to meet Canada's demands is a complex business. The company meets this challenge by taking a long-term view to managing its business rather than reacting to short-term business cycles. As such, the compensation program of the company aligns with this long-term business approach and key business strategies as outlined below.

## **Business Environment**

- Large capital expenditures with long investment periods;
- Complex operating and financial risks;
- National scope of company operations; and
- Commodity-based cyclical product prices.

## **Key Business Strategies**

- Grow profitable sales volumes;
- Disciplined, selective and long-term focus on improving the productivity of the company's asset mix;
- Flawless execution; and
- Best-in-class cost structure to ensure industry-leading returns on capital and superior cash flow.

Focus on these key strategies for the business is a company priority and ensures long-term growth in shareholder value.

## **Key Elements of the Compensation Program**

The key elements of the company's compensation program and staffing objectives that support the business environment and key business strategies are:

- long-term career orientation with high individual performance standards (see page 26);
- base salary that rewards individual performance and experience (see page 27);
- annual bonus grants based on business performance, as well as individual performance and experience (see pages 27 through 28);
- payment of a large portion of executive compensation in the form of restricted stock units with lengthy vesting periods (see pages 28 through 30); and
- retirement benefits (pension and savings plans) that provide for financial security after employment (see page 30 through 33).

The company's executive compensation program is designed to:

- reinforce the company's orientation toward career employment and individual performance;
- acknowledge the long-term nature of the company's business;
- reinforce its philosophy that the experience, skill and motivation of the company's executives are significant determinants of future business success; and
- ensure alignment with long-term shareholder interests.

The compensation program emphasizes competitive salaries and performance-based incentives as the primary instruments to attract, develop and retain key personnel.

## **Other Supporting Compensation and Staffing Practices**

- A long established program of management development and succession planning is in place to reinforce a career orientation and ensure continuity of leadership.
- All executives participate in common programs (the same salary, incentive and retirement programs). Within these programs, the compensation of executives is differentiated based on individual performance assessment, level of responsibility and individual experience. All senior executives on loan assignment from ExxonMobil participate in common programs, as well, which are administered by ExxonMobil.
- Substantial amounts of executive compensation for the named executive officers are at risk of forfeiture if the executive engages in activity that is detrimental to the company.

- Inappropriate risk taking is discouraged by requiring senior executives to hold a substantial portion of their equity incentive award for their entire career and in some cases beyond retirement.
- The use of perquisites at the company is limited, and mainly tied to financial planning for senior executives, and the use of club memberships which are largely tied to building business relationships.
- No tax assistance is provided by the company on any elements of executive officer compensation or perquisites other than relocation. The relocation program is broad-based and applies to all management, professional, technical and executive transferred employees.

### **Employee Appraisal and Ranking Process**

The assessment of individual performance is conducted through the company's employee appraisal program. Conducted annually, the appraisal process assesses performance against business performance measures and objectives relevant to each employee, including the means by which performance is achieved. These business performance measures include:

- total shareholder return;
- net income;
- return on capital employed;
- cash distribution to shareholders;
- safety, health, and environmental performance;
- operating performance of the upstream, downstream, and chemical segments;
- business controls; and
- effectiveness of actions that support the long-term, strategic direction of the company.

The ranking process, which is an integral part of the appraisal process, involves comparative assessment of employee performance using a standard process throughout the organization and at all levels. The appraisal process is integrated with the compensation program and also with the executive development process. Both have been in place for many years and are the basis for planning individual development and succession planning for management positions. The decision-making process with respect to compensation requires judgment, taking into account business and individual performance and responsibility. Quantitative targets or formulas are not used to assess individual performance or determine the amount of compensation.

## **Compensation Program**

### **Career Orientation**

The company's objective is to attract, develop and retain over a career the best talent available. It takes a long period of time and significant investment to develop the experienced executive talent necessary to succeed in the company's business; senior executives must have experience with all phases of the business cycle to be effective leaders. The company's compensation program elements reinforce the long term approach. Career orientation among a dedicated and highly skilled workforce, combined with the highest performance standards, contributes to the company's leadership in the industry and serves the interests of shareholders in the long term. The company service of the named executive officers reflects this strategy. Their career service ranges from 27 to over 29 years.

Consistent with the company's long-term career orientation, high-performing executives typically earn substantially higher levels of compensation in the final years of their careers than in the earlier years. This pay practice reinforces the importance of a long-term focus in making decisions that are key to business success.

Because the compensation program emphasizes individual experience and sustained performance, executives holding similar positions may receive substantially different levels of compensation.

The company's executive compensation program is composed of base salaries, cash bonuses and medium and long-term incentive compensation. The company does not have written employment contracts or any other agreement with its named executive officers providing for payments on change of control or termination of employment.

## **Base Salary**

Salaries provide executives with a base level of income. The level of annual salary is based on the executive's responsibility, performance assessment and career experience. The salary program in 2008 maintained the company's competitive position on salaries in the marketplace. Individual salary increases vary depending on each executive's performance assessment and other factors such as time in position and potential for advancement. Salary decisions also directly affect the level of retirement benefits since salary is included in the retirement-benefit calculation. Thus, the level of retirement benefits is also performance-based like other elements of compensation.

## **Annual Bonus**

Annual bonuses are typically granted to approximately 95 executives to reward their contributions to the business during the past year. Bonuses are drawn from an aggregate bonus pool established annually by the executive resources committee based on the company's financial and operating performance, and can be highly variable depending on annual financial and operating results.

In setting the size of the annual bonus pool and individual executive awards, the executive resources committee:

- considers input from the chairman, president and chief executive officer on the performance of the company and from the company's internal compensation advisors regarding compensation trends as obtained from external consultants;
- considers annual net income of the company and other key business performance indicators as described on page 26; and
- uses judgment to manage the overall size of the annual bonus pool taking into consideration the cyclical nature and long-term orientation of the business.

The 2008 annual bonus pool was \$11.9 million versus \$12.8 million in 2007. This reflects the combined value at grant of annual cash bonus and earnings bonus units. Given the mix of participants, in 2008, the overall bonus pool was slightly lower than the previous year, but continued to reflect improved financial results and operating performance. In relation to this, the company's net income for 2008 was a record \$3.9 billion (up 22 percent), return on shareholders' equity was 46 percent, return on capital employed was 45 percent and total annual shareholders' return was -24.3 percent. Changes in individual cash bonus awards vary depending on each executive's performance assessment.

The annual bonus program incorporates unique elements to further reinforce retention and recognize performance. Awards under this program are generally delivered as:

- 50 percent cash paid in the year of grant; and
- 50 percent earnings bonus units with a delayed payout based on cumulative earnings performance.

The cash component is intended to be a short-term incentive, while the earnings bonus unit plan is intended to be a medium-term incentive. Earnings bonus units are made available to selected executives to promote individual contribution to sustained improvement in the company's business performance and shareholder value. Earnings bonus units are generally equal to and granted in tandem with cash bonuses.

Specifically, earnings bonus units are cash awards that are tied to future cumulative earnings per share. Earnings bonus units pay out when a specified level of cumulative earnings per share is achieved or within five years, whichever is earlier.

For earnings bonus units granted in 2008, the maximum settlement value (trigger) or cumulative earnings per share required for payout was increased to \$2.75 per unit versus \$2.25 in 2007, to reinforce the company's principle of continuous improvement in business performance and to reflect the reduction in the number of outstanding shares pursuant to the company's share purchase program. The trigger of \$2.75 is intentionally set at a level that is expected to be achieved within the five-year period.

If cumulative earnings per share did not reach \$2.75 within five years, the payment with respect to the earnings bonus unit would be reduced to an amount equal to the number of units times the actual cumulative earnings per share over the period.

The annual bonus includes the combined value of the cash bonus and delayed earnings bonus unit portion and is intended to be competitive with the annual bonus awards of other major comparator companies adjusted to reflect the company's performance relative to its comparators. The earnings bonus units are designed such that the timing of the payout is tied to the rate of the company's future earnings; however, it is not intended to vary the amount of the award based on future earnings. In so doing, the delayed portion of the annual bonus, that is the earnings bonus unit, puts part of the annual bonus at risk of forfeiture and thus reinforces the performance basis of the annual bonus grant.

Prior to payment, the earnings bonus units may be forfeited if the executive leaves the company before age 65, or engages in activity that is detrimental to the company.

## **Long-Term Incentive Compensation**

### ***Restricted Stock Units***

In December 2002, the company introduced a restricted stock unit plan, which is the company's primary long-term incentive compensation plan. Given the long-term nature of the company's business, granting compensation in the form of restricted stock units with long vesting periods keeps executives focused on the key premise that decisions made today affect the performance of the organization and company stock for many years to come. This practice supports a risk/reward model that reinforces a long-term view, which is critical to the company's business success, and discourages inappropriate risk taking. The amount granted is intended to provide an incentive to promote individual contribution to the company's performance and motivation to remain with the company. The amount is computed by reference to the most recent ranking of performance as an indication of future potential, but may also consider an adjustment at time of grant, if near term performance is deemed to have changed significantly at time of grant. This type of compensation removes employee discretion in the exercise of restricted stock units and ensures alignment with the long-term interests of shareholders and reinforces retention objectives. The company does not re-price restricted stock awards. The utilization of restricted stock units, instead of stock options, and the determination of annual grants on a share-denominated versus price basis help reinforce this practice. Restricted stock units are not included in pension calculations.

The restricted stock unit plan is a straightforward, primarily cash-based approach to long-term incentive compensation. Grant level guidelines for the restricted stock unit program are generally held constant for long periods of time. The intent of the plan is not to frequently change the number of shares awarded for the same level of individual performance and classification or level of responsibility. The program is a share-denominated program, not a price-denominated program, to better align with the gains and losses experienced by shareholders. A change may be required as a result of periodic checks against the market every three to five years or as a result of any subdivision, consolidation, or reclassification of the shares of the company or other relevant change in the capitalization of the company. The company does not offset losses on prior grants with higher share awards in subsequent grants nor does the company re-price restricted stock units.

In 2006, the guidelines were reviewed in light of the company's three-for-one share split. Given the significant appreciation in the company's share price over the previous several years, restricted stock unit guidelines were adjusted on a two-for-one basis rather than the three-for-one share split. This had the effect of reducing grant values in 2006 and 2007 compared to earlier years. In 2008, after an analysis of the competitive positioning of the company's restricted stock unit program, the executive resources committee determined that some levels of restricted stock units would be increased to ensure appropriate on-going competitive positioning of the plan. In 2008, 748 employees were granted 1,750,795 restricted stock units, including 100 executives.

### **Exercise of Restricted Stock Units and Amendments to the Restricted Stock Unit Plan**

Restricted stock units will be exercised only during employment, except in the event of death, disability or retirement. 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.

Each restricted stock unit entitles the recipient the right to receive from the company, upon exercise, an amount equal to the five day average closing price of the company's shares on the exercise date and the four preceding trading days. 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 has been amended for units granted in 2002 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.

There are 7,928,818 common shares that may be issued in the future with respect to outstanding restricted stock units that represent about 0.93 percent of the company's currently outstanding common shares. The company's directors, officers and vice-presidents as a group hold 15 percent of the unexercised restricted stock units that give the recipient the right to receive common shares. The maximum number of common shares that any one person may receive from the exercise of restricted stock units is 488,200 common shares, which is about 0.06 percent of the currently outstanding common shares. R.L. Broiles and C.W. Erickson hold ExxonMobil restricted stock units. B.H. March also holds ExxonMobil restricted stock units granted in 2007 and previous years, as well as the company's restricted stock units granted in 2008.

On February 26, 2008, the restricted stock unit plan was also amended by the company to provide that the number of common shares of the company issuable under the plan to any insiders (as defined by the Toronto Stock Exchange) cannot exceed 10 percent of the issued and outstanding common shares, whether at any time or as issued in any one year. The Toronto Stock Exchange advised that this amendment did not require shareholder approval.

Effective May 1, 2008, the restricted stock unit plan was amended by the company to include an additional vesting period option for 50 percent of restricted stock units to vest on the fifth anniversary of the date of grant, with the remaining 50 percent of the grant to vest on the later of the tenth anniversary of the date of grant or the date of retirement of the grantee. The recipient of such restricted stock units may receive one common share of the company per unit or elect to receive the cash payment for all units to be exercised. The choice of which vesting period to use will be at the discretion of the company. Effective May 1, 2008, the restricted stock unit plan was further amended to set out which amendments in the future will require shareholder approval, and which amendments will only require director approval and to set an exercise price based on the weighted average price of the company's shares on the exercise date and the four consecutive trading days immediately prior to the exercise date. Shareholder approval for these changes was received on May 1, 2008.

In respect of restricted stock units granted in 2008:

- to the chairman, president and chief executive officer:
  - 50 percent of each grant is exercisable on the fifth anniversary of the date of grant; and
  - the balance is exercisable on the later of the tenth anniversary of the date of grant or the date of retirement; and
- to all other senior executives:
  - 50 percent of each grant is exercisable on the third anniversary of the date of grant; and
  - the balance is exercisable on the seventh anniversary of the date of grant.

The long vesting periods, which are longer than those in use by many other companies, reinforce the company's focus on growing shareholder value over the long term by subjecting a large percentage of executive compensation and the personal net worth of senior executives to the long term return on the company's stock realized by shareholders. The vesting period for restricted stock unit awards is not subject to acceleration, except in the case of death.

### Forfeiture Risk

Restricted stock units are subject to forfeiture if:

- A recipient retires or terminates employment with the company. The company has indicated its intention not to forfeit restricted stock units of employees who retire at age 65. In other circumstances, where a recipient retires or terminates employment, the company may determine that restricted stock units shall not be forfeited.
- During employment or during the period of 24 months after the termination of employment, the recipient, 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.

### ***Deferred Share Units***

In 1998, an additional form of long-term incentive compensation (“deferred share units”) was made available to nonemployee directors (as described on pages 20 through 21) and to selected executives whose decisions are considered to have a direct effect on the long term financial performance of the company. The selected executives 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 2008, no executive elected to receive deferred share units.

The deferred share unit plan was amended on November 20, 2008 to provide that for U.S. taxpayers subject to the United States Internal Revenue Code, Section 409A, for units earned after December 31, 2004, the exercise date must not be later than five months after the date of termination of employment and the date for the cash payment from the plan will be six months after the date of termination of employment.

### **Retirement Benefits**

Named executive officers participate in the same pension plan, including supplemental retirement income provisions, as other employees. B.H. March, R.L. Broiles and C.W. Erickson participate in the Exxon Mobil Corporation pension plans (both tax-qualified and nonqualified).

### ***Pension Plan Benefits***

The table on the following page sets forth the estimated annual benefits that would be payable to each named executive officer of the company upon retirement under the company’s pension plan and supplemental retirement income provisions and Exxon Mobil Corporation’s tax qualified and non-qualified pension plans, and the change in the accrued obligation for each named executive officer of the company in 2008.

**Pension Plan Benefits Table**

Name	Number of years credited service (as of December 31, 2008) (#)	Annual benefits payable (\$)		Accrued obligation at start of year (\$) (5)	Compensatory change (\$) (6)	Non-compensatory change (\$) (7)	Accrued obligation at year end (\$) (8)
		At year end (3)	At age 65 (4)				
B.H. March (1)	-	-	-	-	-	-	-
P.A. Smith (2)	28.9	365,100	482,800	3,624,900	(13,100)	(573,100)	3,038,700
R.L. Broiles (1)	-	-	-	-	-	-	-
C.W. Erickson (1)	-	-	-	-	-	-	-
S.M. Smith (2)	27.1	308,200	464,800	2,752,100	350,200	(591,900)	2,510,400
T.J. Hearn (2) (9) (retired from the company on March 31, 2008)	41.6	97,200	97,200	24,482,600	124,200	(23,586,200)	1,020,600

- (1) Member of the Exxon Mobil Corporation pension plans, including tax qualified and non-qualified plans. As of December 31, 2008, B.H. March had 28.5 years of credited service, R.L. Broiles had 29.6 years and C.W. Erickson had 27.5 years. All amounts referenced were converted from U.S. dollars to Canadian dollars at the average 2008 exchange rate of 1.066.
- (2) Member of the company pension plan as supplemented by payments from the company.
- (3) For members of the company pension plan, the annual benefits include the amount of the accrued annual lifetime pension from the company's registered pension plan and supplemented by payments from the company. For members of the Exxon Mobil Corporation pension plans, the annual benefits include the accrued annual lifetime pension from the Exxon Mobil Corporation tax qualified plan and the accrued annual amount calculated under the Exxon Mobil Corporation non-qualified plan. Non-qualified plan benefits are payable only as a lump sum equivalent upon retirement. For B.H. March, this value was \$379,281, for R.L. Broiles, this value was \$331,911 and for C.W. Erickson, this value was \$311,141.
- (4) For members of the company pension plan, the annual benefits include the amount of the accrued annual lifetime pension from the company's registered pension plan and supplemented by payments from the company that would be earned to age 65 assuming final average earnings as at December 31, 2008. For members of the Exxon Mobil Corporation pension plan, the annual benefits include the annual lifetime pension from Exxon Mobil Corporation's tax qualified plan and the annual amount calculated under the Exxon Mobil Corporation non-qualified plan that would be earned to age 65 assuming final average earnings as at December 31, 2008. Non-qualified plan benefits are payable only as a lump sum equivalent upon retirement. For B.H. March, this value was \$550,374, for R.L. Broiles, this value was \$486,517 and for C.W. Erickson, this value was \$493,350.
- (5) For members of the company's pension plan, the "Accrued obligation at start of year" is defined for purposes of Financial Accounting Standard 87 (FAS 87) and is calculated based on earnings eligible for pension as described on page 32 and Yearly Maximum Pensionable Earnings (YMPE) as defined by the Canada Revenue Agency, projected to retirement and pro-rated on service to the date of valuation, December 31, 2007. The calculations assume that the Canada Pension Plan offset is based on the annual maximum benefit at retirement and the Old Age Security (OAS) offset is based on the OAS benefit in the fourth quarter of 2007 projected to retirement. For members of the Exxon Mobil Corporation pension plans, the "Accrued obligation at start of year" is defined for purposes of FAS 87 and is calculated based on earnings eligible for pension as described on page 32. The calculations assume that the U.S. Social Security offset against the Exxon Mobil Corporation qualified plan benefit is calculated on the basis of the Social Security law in effect as of year end 2007. For B.H. March, this value was \$2,448,424, for R.L. Broiles, this value was \$2,295,189 and for C.W. Erickson, this value was \$1,793,459.
- (6) The value for "Compensatory change" includes service cost for 2008. Service cost for 2008 is calculated by using the individual's additional pensionable service in 2008 and the actual salary and bonus received in 2008 as described on page 32. There were no plan amendments in 2008 that affected these benefits. The service cost is calculated on a basis that is consistent with FAS 87 and with the valuation that was performed as at that date for accounting purposes for the plan as a whole. For B.H. March, this value was \$611,774, for R.L. Broiles, this value was \$254,286 and for C.W. Erickson, this value was \$234,192.
- (7) The value for "Non-compensatory change" includes impact of experience not related to earnings, benefit payments and change in measurement assumptions. With respect to the company pension plan, the discount rate used to determine the accrued obligation at the end of 2008 increased to 7.50 percent, up from 5.75 percent at the end of 2007, thereby causing the Non-compensatory change to be negative. For members of the Exxon Mobil Corporation pension plans, the value for "Non-compensatory change" includes the impact of experience not related to earnings or service. This includes the effect of interest, based on a discount rate of 6.25 percent in each year, and operation of the plan's rules for converting annuities to lump sums upon retirement. For B.H. March, this value was \$355,560, for R.L. Broiles, this value was \$296,220 and for C.W. Erickson, this value was \$73,612.
- (8) For members of the company's pension plan, the "Accrued obligation at year end" is defined for purposes of FAS 87 and is calculated based on earnings eligible for pension as described on page 32 and YMPE, projected to retirement and pro-rated on service to the date of valuation, December 31, 2008. The calculations assume that the Canada Pension Plan offset is based on the annual maximum benefit at retirement and the OAS offset is based on the OAS benefit in the fourth quarter of 2008 projected to retirement. For members of the Exxon Mobil Corporation pension plans, the "Accrued obligation at year end" is defined for purposes of FAS 87 and is calculated based on earnings eligible for pension as described on page 32. The calculations assume that the U.S. Social Security offset against the Exxon Mobil Corporation qualified plan benefit is calculated on the basis of the Social Security law in effect as of year end 2008. For B.H. March, this value was \$3,415,757, for R.L. Broiles, this value was \$2,845,696 and for C.W. Erickson, this value was \$2,101,262.
- (9) T.J. Hearn retired on March 31, 2008. At retirement, T.J. Hearn was provided the standard election option to receive his supplemental retirement income as a monthly annuity or a lump sum. T.J. Hearn exercised his option to receive the benefit as a lump sum. The change in non-compensatory obligation was adjusted accordingly.

The registered pension plan and supplemental retirement income provisions provide an annual benefit of 1.6 percent of earnings per each year of service with respect to the named executive officers, with an offset for government benefits. Earnings, for this purpose, include average base salary during the last 36 consecutive months of service prior to retirement or the highest consecutive three calendar years of earnings in the last 10 years of service prior to retirement and the average annual bonus for the highest three of the last five years prior to retirement for eligible executives, but do not include long-term compensation, including restricted stock units. By limiting inclusion of bonuses in pensionable earnings to those granted in the five years prior to retirement, there is a strong motivation for executives to continue to perform at a high level. Annual bonus includes the cash amounts that are paid at grant, any cash amount deferred as described on pages 27 through 28 and the value of any earnings bonus units received, as described on pages 27 through 28. The aggregate maximum settlement value that could be paid for earnings bonus units is included in the employee's final three year average earnings for the year of grant of such units. The portion of annual bonus deferred, and the value of earnings bonus units, are not intended to be at risk and, therefore, are included for pension purposes in the year of grant rather than the year of payment. An employee may also 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 B.H. March, R.L. Broiles and C.W. Erickson), to receive additional pension value 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 remuneration used to determine the payments on retirement to the individuals named in the summary compensation table on page 37 corresponds generally to the salary, bonus and earnings bonus units received in the current year, as described in the previous paragraph. As of February 13, 2009, the number of completed years of service with Imperial Oil Limited used to determine payments on retirement was 29 for P.A. Smith and 27 for S.M. Smith. T.J. Hearn retired from the company on March 31, 2008 with 41 completed years of service.

B.H. March, R.L. Broiles and C.W. Erickson are not members of the company's pension plan, but are members of Exxon Mobil Corporation's pension plans. Under those plans, B.H. March has 28 years of credited service, R.L. Broiles has 29 years of credited service and C.W. Erickson has 27 years of credited service. Their respective pensions are payable in U.S. dollars. Pay for the purpose of the pension calculation is based on final average base salary over the highest 36 consecutive months in the 10 years of service prior to retirement, and the average annual bonus for the three highest grants out of the last five grants prior to retirement.

### ***Savings Plan Benefits***

The company maintains a savings plan into which career employees with more than one year of service may contribute between one and 30 percent of normal earnings. The company provides equal matching contributions to a maximum of six percent when an employee participates in the pre-1998 historic 1.6 percent defined-benefit pension arrangement. The current version of the historic 1.6 percent defined benefit plan has been in place since 1976; predecessor plans have been in place since 1919. All named executive officers are members of the historic 1.6 percent plan, except for B.H. March, R.L. Broiles and C.W. Erickson who participate in the Exxon Mobil Corporation savings plan and tax qualified and non-qualified pension plans. An employee may also elect to forego three of the six percent of the company's contributions to the savings plan to receive additional pension value 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 (except for B.H. March, R.L. Broiles and C.W. Erickson). T.J. Hearn elected to forego three of the six percent of the company's contribution to the savings plan in order to receive this additional pension value.

Employee and company contributions can be allocated in any combination to a non-registered (tax-paid) account or a registered (tax-deferred) group retirement savings plan (RRSP) account, subject in the latter case to contribution limits under the Income Tax Act.

Available investment options include cash savings, a money market mutual fund, a suite of four index-based mutual funds and company shares. Company matching contributions must be allocated to company shares initially, and remain in that investment for a minimum of 24 months, after which they can be redeemed in favour of the other investment options.

During employment, withdrawals are only permitted from employee contributions and investment earnings within the tax-paid account, to a maximum of three withdrawals per year. Assets in the RRSP account, and company contributions to the tax-paid account, may only be withdrawn upon retirement or termination of employment, reinforcing the company's long-term approach to total compensation. Income Tax regulations require RRSP's to be closed by the end of the year in which the individual reaches age 71.

## Named Executive Officer Compensation

### Compensation Decision Making Process and Considerations

#### Benchmarking

In addition to the assessment of business performance, individual performance and level of responsibility, the executive resources committee relies on market comparisons to a group of 25 major Canadian companies with revenues in excess of \$1 billion a year. Canadian companies are selected on the basis of being large in scope and complexity, capital intensive and proven sustainability.

The 25 companies benchmarked are as follows:

<b>Comparator Companies – Named Executive Officers</b>		
Agrium Inc.	EnCana Corporation	Procter & Gamble Inc.
BCE Inc.	General Electric Canada	Royal Bank of Canada
BP Canada Energy Company	Husky Energy Inc.	Shell Canada Limited
Canadian Tire Corporation Limited	IBM Canada Ltd.	Suncor Energy Inc.
Chevron Canada Limited	Irving Oil Limited	Talisman Energy Inc.
Canadian Natural Resources Limited	Lafarge Canada Inc.	TransCanada Corporation
ConocoPhillips Canada	Nexen Inc.	Vale Inco Limited
Canadian Pacific Railway Limited	Nova Chemicals Corporation	
Enbridge Inc.	Petro-Canada	

The company is a national employer drawing from a wide range of disciplines. It is important to understand its competitive position relative to a variety of oil and non-oil employers. Annual market comparisons, based on survey data, are prepared by independent external compensation consultant, Towers Perrin, with additional analysis and recommendation provided by the company's internal compensation advisors. Consistent with the executive resources committee's practice of using well-informed judgment rather than formulae to determine executive compensation, the committee does not target any specific percentile among comparator companies to align compensation. Rather, on a case-by-case basis, depending on the scope of market coverage represented by a particular comparison, total compensation (excluding perquisites) is targeted to a range between the mid-point and the upper quartile of comparable employers, reflecting the company's emphasis on quality management. This approach applies to salaries and the annual bonus.

As a secondary source of data, the company also considers a comparison with Exxon Mobil Corporation, when it determines the annual bonus program. For the restricted stock unit program, the executive resources committee also reviews a summary of data for a subset of the comparator companies provided by the same external consultant above, in order to assist in assessing total value of long-term compensation grants. This approach provides the company with the ability to better respond to changing business conditions, manage salaries based on a career orientation, minimize potential for automatic increasing of salaries, which could occur with an inflexible and narrow target among benchmarked companies, and finally to differentiate salaries based on performance and experience levels among executives.

The elements of the ExxonMobil compensation program, that include salary and annual bonus and equity (long-term) compensation considerations for B.H. March, R.L. Broiles and C.W. Erickson, are similar to those of the company. The data used for long-term compensation determination for B.H. March is as described above, as he received Imperial Oil Limited restricted stock units in 2008. The executive resources committee reviews and approves recommendations for each named executive officer prior to implementation. B.H. March's compensation determination is described in more detail on page 35.

### **2008 Named Executive Officer Compensation Assessment**

When determining the annual compensation for the named executive officers, the executive resources committee has reflected on the following business performance result indicators in its determination of 2008 salary and incentive compensation.

#### **Business Performance Results for Consideration**

The operating and financial performance measurements listed below and the company's continued maintenance of sound business controls and a strong corporate governance environment formed the basis for the salary and incentive award decisions made by the executive resources committee in 2008. The executive resources committee considered the results over multiple years, in recognition of the long-term nature of the company's business.

- Total shareholder return of about -24 percent. Ten-year annual average of about 19 percent.
- Record earnings of \$3.9 billion. Five-year annual average earnings of \$3.0 billion.
- Strong results in the areas of safety, health, and environment.
- Industry-leading return on average capital employed of 45 percent, with an average of 30 percent since the beginning of 2000.
- \$330 million distributed to shareholders as dividends in 2008.
- \$2.2 billion distributed to shareholders through the share purchase program in 2008 and \$15 billion since 1995.
- Effective business controls and corporate governance.

#### **Performance Assessment Considerations**

The above results form the context in which the committee assesses the individual performance of each senior executive, taking into account experience and level of responsibility.

Annually, the chairman, president and chief executive officer reviews the performance of the senior executives in achieving business results and individual development needs.

The same long-term business strategies noted on page 25 and results noted on page 34 are key elements in the assessment of the chairman, president and chief executive officer's performance by the executive resources committee.

The performance of all named executive officers is also assessed by the board of directors throughout the year during specific business reviews and board committee meetings that provide reports on strategy development; operating and financial results; safety, health, and environmental results; business controls; and other areas pertinent to the general performance of the company.

The executive resources committee does not use quantitative targets or formulae to assess executive performance or determine compensation. The executive resources committee does not assign weights to the factors considered. Formula-based performance assessments and compensation typically require emphasis on two or three business metrics. For the company to be an industry leader and effectively manage the technical complexity and integrated scope of its operations, most senior executives must advance multiple strategies and objectives in parallel, versus emphasizing one or two at the expense of others that require equal attention.

Senior executives and officers are expected to perform at the highest level or they are replaced. If it is determined that another executive is ready and would make a stronger contribution than one of the current incumbents, a replacement plan is implemented.

### **2008 CEO Compensation Assessment**

B.H. March was elected chairman, president and chief executive officer of the company on April 1, 2008. Mr. March is a 29-year veteran of ExxonMobil, including service with heritage Mobil Corporation before the merger with Exxon Corporation on November 30, 1999. Mr. March has extensive operating and management experience in the oil and gas business, including assignments in multiple locations in the United States, as well as experience working in London and Brussels. His level of salary was determined by the executive resources committee based on his individual performance and to align with that of his peers in ExxonMobil. It was also the objective of the executive resources committee to ensure appropriate internal alignment with senior management in the company. The committee also approved a salary increase of \$35,000 U.S. to \$485,000 U.S., effective January 1, 2009.

Mr. March's 2008 annual bonus was based on his performance as assessed by the executive resources committee since his assignment to the position of chairman, president and chief executive officer. His long-term incentive award was paid in the form of company restricted stock units, not ExxonMobil restricted stock, to reinforce alignment of his interests with that of the company's shareholders. His company restricted stock units are subject to vesting periods longer than those applied by most companies conducting business in Canada. Fifty percent of the restricted stock units awarded vest in five years and the other 50 percent vest on the later of 10 years from the date of grant or the date of retirement. The purpose of these long vesting periods is to reinforce the long investment lead times in the business and to link a substantial portion of Mr. March's net worth to the performance of the company. During these vesting periods, the awards are subject to risk of forfeiture based on detrimental activity, or if Mr. March should leave the company before normal retirement.

The executive resources committee has determined that the overall compensation of Mr. March is appropriate based on the company's financial and operating performance and their assessment of his effectiveness in leading the organization. Key factors considered by the committee in determining his overall compensation level include continuing progress on advancing key strategic interests, financial results, safety metrics, environmental performance, government relations, productivity, cost effectiveness and asset management. The committee's decisions reflect judgment, taking all factors into consideration, rather than the application of formulas or targets. The higher level of pay for Mr. March, compared to the other named executive officers reflects his greater level of responsibility, including his ultimate responsibility for the performance of the company, and oversight of the other senior executives.

### **Pay Awarded to Other Named Executive Officers**

Within the context of the compensation program structure and performance assessment processes described above, the value of 2008 incentive awards and salary adjustments align with:

- performance of the company;
- individual performance;
- long-term strategic plan of the business; and
- annual compensation of comparator companies.

The executive resources committee's decisions reflect judgment taking all factors into consideration, rather than application of formulae or targets. The executive resources committee approved the individual elements of compensation and the total compensation as shown in the summary compensation table on page 37.

### **Independent Consultant**

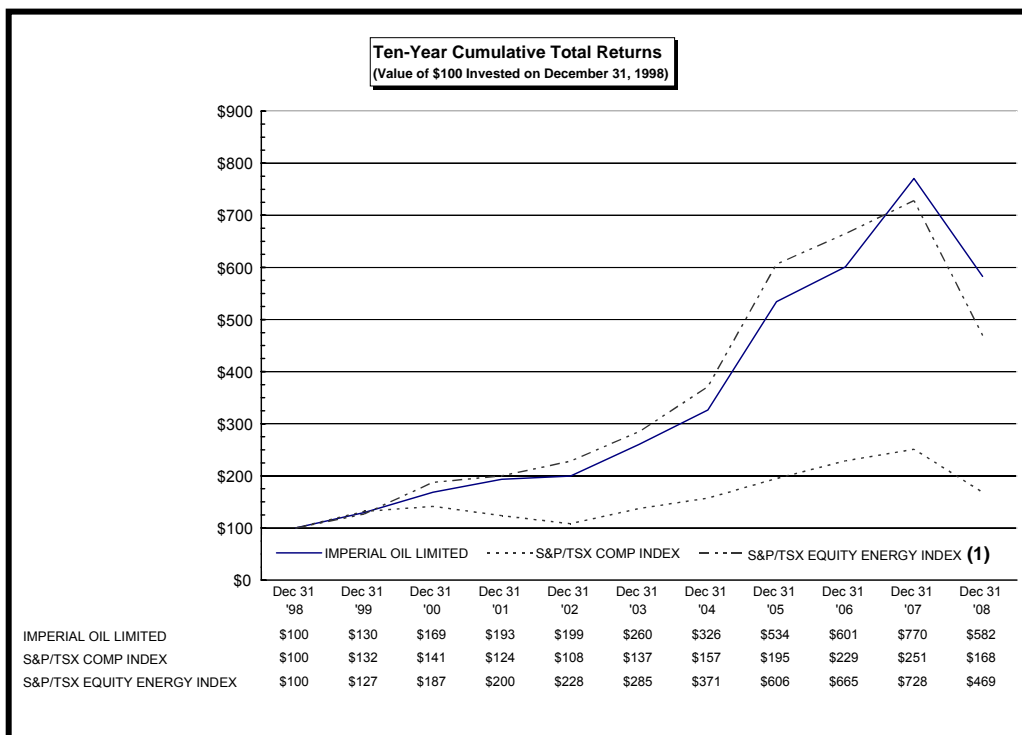
In fulfilling its responsibilities during 2008, the executive resources committee retained one independent consultant to assist in determining compensation for senior executives. Towers Perrin provided an independent assessment of competitive chief executive officer compensation and of market data for long-term incentive compensation levels for senior executives to assist in the committee's assessment and decision-making on elements of compensation for B.H. March, as well as an assessment of the portion of senior executives' pay attributable to long-term equity. Towers Perrin was not retained to provide any other compensation determinations or advice for the company or committee in determining the compensation of the chief executive officer or long-term incentive compensation levels for senior executives.

## Performance Graph

The following graph shows changes over the past 10 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.

During the past 10 years, the company's cumulative total shareholder return was about 582 percent, for an average annual return of about 19 percent. During that same 10-year period, the company's compensation (which compensation excludes the compensatory change in pension value) of its named executive officers increased by 223 percent for an average annual increase of eight percent.



(1) From 2002 to 2004, the S&P/TSX Composite Energy Index was used. Prior to 2002, the S&P/TSX Energy Index was used.

## Summary Compensation Table and Other Tables for Named Executive Officers

The following table shows the compensation for the chairman, president and chief executive officer; the senior vice-president, finance and administration, and treasurer and the three other most highly compensated executive officers of the company who were serving as at the end of 2008. The table includes information on T.J. Hearn, who also served as chairman and chief executive officer from January 1, 2008 to March 31, 2008, inclusive. This information includes the Canadian dollar value of base salaries, cash bonus awards and units of other long-term incentive compensation and certain other compensation.

Name and Principal Position at the end of 2008	Year	Salary (\$)	Share-Based Awards (\$) (2)	Option-Based Awards (\$) (3)	Non-Equity Incentive Plan Compensation (\$)		Pension Value (\$) (6)	All Other Compensation (\$) (7)	Total Compensation (\$) (8)
					Annual Incentive Plans (4)	Long-term Incentive Plans (5)			
B.H. March (1) President (January 1-March 31) Chairman, president and chief executive officer (April 1-December 31)	2008	479,700	1,584,780	-	286,114	207,870	611,774	821,511	3,991,749
P.A. Smith Senior vice- president, finance and administration, and treasurer	2008	420,833	702,720	-	177,128	181,125	(13,100)	135,187	1,603,893
R.L. Broiles (1) Senior Vice-president, resources division	2008	398,418	915,918	-	186,443	169,494	254,286	506,051	2,430,610
C.W. Erickson (1) Vice-president and general manager, refining and supply	2008	394,864	999,183	-	196,144	187,147	234,192	413,604	2,425,134
S.M. Smith Vice-president and general manager, fuels marketing	2008	374,000	1,006,500	-	197,899	162,675	350,200	117,394	2,208,668
T.J. Hearn Chairman and chief executive officer (January 1-March 31)	2008	300,000	0	-	0	999,900	124,200	719,049	2,143,149

## Footnotes to the Summary Compensation Table for Named Executive Officers

- (1) B.H. March, R.L. Broiles and C.W. Erickson have been on a loan assignment from Exxon Mobil Corporation since January 1, 2008, July 1, 2005 and June 1, 2007 respectively. Their compensation is paid directly by Exxon Mobil Corporation in U.S. dollars, but is disclosed in Canadian dollars. They also receive 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 them. All amounts paid to B.H. March, R.L. Broiles and C.W. Erickson in U.S. dollars were converted to Canadian dollars at the average 2008 exchange rate of 1.066.
- (2) The grant date fair value equals the number of restricted stock units multiplied by the closing price of the company's shares on the date of grant. The closing price of the company's shares on the grant date was \$36.60, which is the same as the accounting fair value for the restricted stock units on the date of grant. The company chose this method of valuation as it believes it results in the most accurate representation of fair value. For R.L. Broiles and C.W. Erickson, who received ExxonMobil restricted stock units, values are based on the closing price of Exxon Mobil Corporation shares on the date of grant (\$78.11 U.S.), multiplied by the number of units granted. This amount was converted to Canadian dollars at the average 2008 exchange rate of 1.066.
- (3) The company has not granted stock options since 2002. The stock option plan is described on pages 41 through 42.
- (4) The amounts listed in "Annual Incentive Plans" column for each named executive officer represent their 2008 cash bonus. Any part of bonus elected to be received as deferred share units would be excluded, although no named executive officers so elected.
- (5) The amounts listed in "Long-term Incentive Plans" column for the named executive officer represent their earnings bonus units granted in 2007 and paid out in 2008. The plan is described on pages 27 through 28. B.H. March, R.L. Broiles and C.W. Erickson received earnings bonus units under ExxonMobil's program, which is similar to the company's plan. They also received pay outs in 2008 for earnings bonus units granted in 2007. These amounts were converted to Canadian dollars at the average 2008 exchange rate of 1.066.
- (6) "Pension Value" is the "Compensatory change" in pensions as of December 31, 2008 as set out in the "Pension Plan Benefits" table on page 31.
- (7) Amounts under "All Other Compensation", consist of dividend equivalent payments on restricted stock units granted, interest paid in respect of deferred payments of bonuses and earnings bonus units, expatriate allowances, tax reimbursements, company savings plans contributions, other compensation and cost of perquisites including club memberships, earned benefit allowance (for T.J. Hearn, P.A. Smith and S.M. Smith only), any costs associated with the personal use of the company aircraft, parking and security. There is no tax assistance from the company for taxes related to personal use of the company aircraft. In 2008, only T.J. Hearn had interest paid in respect of deferred payments of bonuses and earnings bonus units which was \$260,336. The earned benefits allowance in 2008 was \$50,000 for T.J. Hearn, \$30,000 for P.A. Smith and \$25,000 for S.M. Smith. For each named executive officer, except B.H. March and T.J. Hearn, the aggregate value of perquisites received was not greater than \$50,000. For B.H. March, the total value of perquisites was \$58,898, which total includes club memberships valued at \$41,974. For T.J. Hearn, the total value of perquisites was \$67,862, which total includes an earned benefit allowance of \$50,000. The 2008 annual vacation allowance payment of \$120,000 for T.J. Hearn is also included under "All Other Compensation". While already factored into valuation of share based awards, it is noted that in 2008, the actual dividend equivalent payments made were \$70,550 for P.A. Smith, \$56,124 for S.M. Smith and \$261,470 for T.J. Hearn. For B.H. March, R.L. Broiles and C.W. Erickson, the dividend equivalent payments on restricted stock granted by Exxon Mobil Corporation in previous years were \$83,028 for B.H. March, \$80,137 for R.L. Broiles and \$77,617 for C.W. Erickson. These amounts were converted to Canadian dollars at the average 2008 exchange rate of 1.066.
- (8) "Total Compensation" for 2008 consists of the total dollar value of "Salary", "Share-Based Awards", "Option-Based Awards", "Non-Equity Incentive Plan Compensation", "Pension Value" and "All Other Compensation".

## Outstanding share-based awards and option-based awards for named executive officers

The following table sets forth all share-based and option-based awards outstanding as at December 31, 2008 for each of the named executive officers of the company.

Name	Option-based Awards				Share-based Awards	
	Number of securities underlying unexercised options (#) (4)	Option exercise price (\$)	Option Expiration Date	Value of unexercised in-the-money options (\$)	Number of shares or units of shares that have not vested (#) (5)	Market or payout value of share-based awards that have not vested (\$)(5)
B.H. March (1)	-	-	-	-	43,300	1,774,867
P.A. Smith	75,000	15.50	April 29, 2012	1,911,750	181,850	7,454,032
R.L. Broiles (2)	-	-	-	-	-	-
C.W. Erickson (3)	-	-	-	-	-	-
S.M. Smith	0	-	-	0	158,900	6,513,311
T.J. Hearn <small>(retired from the company on March 31, 2008)</small>	150,000	15.50	April 29, 2012	3,823,500	618,200	25,340,018

(1) In 2001 and previous years, B.H. March participated in Exxon Mobil Corporation's stock option plan. Under that plan, B.H. March held options to acquire 44,758 Exxon Mobil Corporation shares, of which all options were exercisable. The value of B.H. March's exercisable options was \$2,154,332 as at December 31, 2008, based on the closing price of Exxon Mobil Corporation common shares of \$79.83 U.S., which was converted to Canadian dollars at the noon-rate for December 31, 2008 of 1.2246 provided by the Bank of Canada. B.H. March was granted restricted stock units in 2008 under the company's plan. With respect to previous years, B.H. March participated in Exxon Mobil Corporation's restricted stock plan, which is similar to the company's restricted stock unit plan. Under that plan, B.H. March held 44,750 restricted shares whose value on December 31, 2008 was \$4,374,752 based on a closing price for Exxon Mobil Corporation shares on December 31, 2008 of \$79.83 U.S., which was converted to Canadian dollars at the noon-rate for December 31, 2008 of 1.2246 provided by the Bank of Canada.

(2) In 2001 and previous years, R.L. Broiles participated in Exxon Mobil Corporation's stock option plan. Under that plan, R.L. Broiles held options to acquire 56,398 Exxon Mobil Corporation shares, of which all options were exercisable. The value of R.L. Broiles' exercisable options was \$2,687,938 as at December 31, 2008, based on the closing price of Exxon Mobil Corporation common shares of \$79.83 U.S., which was converted to Canadian dollars at the noon-rate for December 31, 2008 of 1.2246 provided by the Bank of Canada. 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 held 54,000 restricted shares whose value on December 31, 2008 was \$5,279,030 based on a closing price for Exxon Mobil Corporation shares on December 31, 2008 of \$79.83 U.S., which was converted to Canadian dollars at the noon-rate for December 31, 2008 of 1.2246 provided by the Bank of Canada.

(3) In 2001 and previous years, C.W. Erickson participated in Exxon Mobil Corporation's stock option plan. Under that plan, C.W. Erickson held options to acquire 14,825 Exxon Mobil Corporation shares, of which all options were exercisable. The value of C.W. Erickson's exercisable options was \$690,437 as at December 31, 2008, based on the closing price of Exxon Mobil Corporation common shares of \$79.83 U.S., which was converted to Canadian dollars at the noon-rate for December 31, 2008 of 1.2246 provided by the Bank of Canada. C.W. Erickson participates in Exxon Mobil Corporation's restricted stock plan, which is similar to the company's restricted stock unit plan. Under that plan, C.W. Erickson holds 53,475 restricted shares whose value on December 31, 2008 was \$5,227,706 based on a closing price for Exxon Mobil Corporation shares on December 31, 2008 of \$79.83 U.S., which was converted to Canadian dollars at the noon-rate for December 31, 2008 of 1.2246 provided by the Bank of Canada.

(4) Represents the number of shares underlying options and three times the number of stock options granted in 2002 before the three-for-one share split in May 2006 and still held by the employee.

(5) Represents the total of the restricted stock units received in 2006, 2007 and 2008 after the three-for-one share split in May 2006, plus three times the number of restricted stock units received before the share split and still held by the employee. The value is based on the closing price of the company's shares on December 31, 2008 of \$40.99.

## Incentive plan awards for named executive officers – value vested or earned during the year

The following table sets forth the value of the incentive plan awards that vested for each named executive officer of the company for the year.

Name	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year (\$)(4)	Non-equity incentive plan compensation – Value earned during the year (\$)(5)
B.H. March (1)	-	0	-
P.A. Smith	-	1,088,084	358,253
R.L. Broiles (2)	-	-	-
C.W. Erickson (3)	-	-	-
S.M. Smith	-	833,803	360,574
T.J. Hearn (retired from the company on March 31, 2008)	-	3,808,294	999,900

- (1) Although B.H. March received restricted stock units under the company's plan in 2008, none of these restricted stock units have vested. In previous years B.H. March participated in Exxon Mobil Corporation's restricted stock plan under which the grantee may receive restricted stock or restricted stock units (both of which are referred to herein as restricted stock or restricted shares), which plan is similar to the company's restricted stock unit plan. In 2008, restrictions were removed on 5,500 restricted stock having a value as at December 31, 2008 of \$537,679 based on the closing price of Exxon Mobil Corporation common shares of \$79.83 U.S., which was converted to Canadian dollars at the noon-rate for December 31, 2008 of 1.2246 provided by the Bank of Canada. B.H. March received an annual bonus from Exxon Mobil Corporation in 2008 and participates in Exxon Mobil Corporation's earnings bonus unit plan, which is similar to the company's earnings bonus unit plan. B.H. March received \$493,984 with respect to annual bonus awarded in 2008 and earnings bonus units granted in 2007 and paid out in 2008, which amount was paid in U.S. dollars and is converted to Canadian dollars at the average 2008 exchange rate of 1.066.
- (2) R.L. Broiles participates in Exxon Mobil Corporation's restricted stock plan under which the grantee may receive restricted stock, which plan is similar to the company's restricted stock unit plan. In 2008, restrictions were removed on 5,500 restricted stock having a value as at December 31, 2008 of \$537,679 based on the closing price of Exxon Mobil Corporation common shares of \$79.83 U.S., which was converted to Canadian dollars at the noon-rate for December 31, 2008 of 1.2246 provided by the Bank of Canada. R.L. Broiles received an annual bonus from Exxon Mobil Corporation in 2008 and participates in Exxon Mobil Corporation's earnings bonus unit plan, which is similar to the company's earnings bonus unit plan. R.L. Broiles received \$355,937 with respect to annual bonus awarded in 2008 and earnings bonus units granted in 2007 and paid out in 2008, which amount was paid in U.S. dollars and is converted to Canadian dollars at the average 2008 exchange rate of 1.066.
- (3) C.W. Erickson participates in Exxon Mobil Corporation's restricted stock plan under which the grantee may receive restricted stock, which plan is similar to the company's restricted stock unit plan. In 2008, restrictions were removed on 5,500 restricted stock having a value as at December 31, 2008 of \$537,679 based on the closing price of Exxon Mobil Corporation common shares of \$79.83 U.S., which was converted to Canadian dollars at the noon-rate for December 31, 2008 of 1.2246 provided by the Bank of Canada. C.W. Erickson received an annual bonus from Exxon Mobil Corporation in 2008 and participates in Exxon Mobil Corporation's earnings bonus unit plan, which is similar to the company's earnings bonus unit plan. C.W. Erickson received \$383,291 with respect to annual bonus awarded in 2008 and earnings bonus units granted in 2007 and paid out in 2008, which amount was paid in U.S. dollars and is converted to Canadian dollars at the average 2008 exchange rate of 1.066.
- (4) These values show restricted stock units that vested in 2008.
- (5) These values show annual bonus received in 2008 and earnings bonus units granted in 2007 and vesting in 2008.

## Equity compensation plan information

The following table provides information on the common shares of the company that may be issued as of the end of 2008 pursuant to compensation plans of the company.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (3)	Weighted-average exercise price of outstanding options, warrants and rights (\$) (4)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column) (3)
Equity compensation plans approved by security holders (1)	4,294,635	15.50	-
Equity compensation plans not approved by security holders (2)	7,928,818	-	2,571,182
<b>Total</b>	<b>12,223,453</b>	<b>15.50</b>	<b>2,571,182</b>

(1) This is a stock option plan, which is described on pages 41 through 42.

(2) This is a restricted stock unit plan, which is described on pages 28 through 30.

(3) The number of securities reserved for the stock option plan represents three times the number of stock options granted in 2002 before the three-for-one share split in May 2006 and still outstanding. The number of securities reserved for the restricted stock unit plan represents the securities reserved for restricted stock units issued in 2006, 2007 and 2008 after the three-for-one share split in May 2006, plus three times the number of securities reserved for restricted stock units issued before the share split and still outstanding.

(4) The weighted average exercise price of the outstanding stock options of \$15.50 was determined on a post share split basis.

## Details of Former Long-Term Incentive Compensation Plans

The following describes forms of long-term incentive compensation formerly used by the company. While incentive share units and stock options are no longer granted, incentive share units and stock options formerly granted continue to remain outstanding and are referenced in the foregoing tables.

### Incentive Share Units

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. The last grant expires in 2011.

### Stock Option Plan

Under the stock option plan adopted by the company in April 2002, a total of 9,630,600 options, on a post share split basis, were granted to select key employees on April 30, 2002 for the purchase of the company's common shares at an exercise price of \$15.50 per share on a post share split basis. All of the options are exercisable. Any unexercised options expire on April 29, 2012. As of February 13, 2009, there have been 5,336,415 common shares issued upon exercise of stock options and 4,294,185 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 1.1 percent of the company's currently outstanding common shares. The company's directors, officers and vice-presidents as a group hold eight 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 150,000 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.

## **V. Other Important Information**

### ***Effective Date***

The effective date of this management proxy circular is February 13, 2009.

### ***Largest Shareholder***

To the knowledge of the directors and executive officers of the company, the only shareholder who, as of February 13, 2009, owned beneficially, or exercised control or direction over, directly or indirectly, more than 10 percent of the outstanding common shares of the company is Exxon Mobil Corporation, 5959 Las Colinas Boulevard, Irving, Texas 75039-2298, which owns beneficially 596,357,122 common shares, representing 69.6 percent of the outstanding voting shares of the company.

### ***Transactions with Exxon Mobil Corporation***

On June 25, 2007, the company implemented a 12-month "normal course" share-purchase program under which it purchased 45,794,291 of its outstanding shares between June 25, 2007 and June 24, 2008. On June 25, 2008, a 12-month share purchase program was implemented under which the company may purchase up to 44,194,961 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 2008, such share purchases cost \$2,210 million, of which \$1,521 million was received by Exxon Mobil Corporation.

The amounts of purchases and sales by the company and its subsidiaries for other transactions in 2008 with Exxon Mobil Corporation and affiliates of Exxon Mobil Corporation were \$4,890 million and \$2,150 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, natural gas, 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 upstream 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. The company has a contractual agreement with an affiliate of Exxon Mobil Corporation in Canada to operate the Western Canada production properties owned by ExxonMobil. There are no asset ownership changes. The company and that affiliate also have a contractual agreement to share new upstream opportunities on an up to equal basis. During 2007, the company entered into agreements with Exxon Mobil Corporation and one of its affiliated companies that provide for the delivery of management, business and technical services to Syncrude Canada Ltd. by ExxonMobil.

## ***Ethical Business Conduct***

The board has adopted a written code of ethics and business conduct ("Code") which can be found on the company's website 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 nonemployee directors or to nonemployee directors as a group. In addition, the directors of the company must comply with the conflict of interest provisions of the *Canada Business Corporations Act*, as well as the relevant securities regulatory instruments, in order to ensure that the directors exercise independent judgment in considering transactions and agreements in respect of which such director has a material interest.

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 (except the Imperial Oil Foundation Board) is composed entirely of the independent directors and R.C. Olsen, who is an employee of ExxonMobil Production Company and is, therefore, independent of the company's management. 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 directors to chair and lead these discussions. Eight executive sessions were held in 2008. There has 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.

## ***Shareholder Feedback***

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 2010 annual meeting***

Any shareholder's proposal that meets the provisions of the Canada Business Corporations Act, and is intended to be presented at the 2010 annual meeting of shareholders, must be received by the company no later than December 19, 2009. The proposal can then be included in the management proxy circular and the proxy for the 2010 annual meeting.

## ***Annual and Interim Reports***

If you are a **registered shareholder**, a copy of the 2008 annual report is included in this package, unless you asked not to receive it. If you do not wish to receive our annual report next year you must fill out and return the green form enclosed with this package, otherwise a copy of the report will be sent to you. If you wish to receive our interim reports, please fill out the pink form enclosed with this package.

If you are a **non-registered shareholder** and you wish to receive a copy of the annual report next year by mail, you must elect to do so directly on your voting instruction form by responding to the question at the bottom of the form. Quarterly reports may be received by filling out the yellow form enclosed in your package. Non-registered shareholders who are resident in the United States may receive our annual and quarterly reports next year by filling out the blue form enclosed in your package.

All shareholders may consent to the electronic delivery of documents by following the instructions outlined on the white Electronic Delivery form.

## ***Additional Information***

A copy of our 2008 annual report which includes comparative financial statements and management discussion and analysis, a copy of this management proxy circular, quarterly reports for 2009 and the company's latest Form 10-K can be obtained on request and without charge 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, all of these documents and additional information relating to the company can be found on the company's SEDAR profile at [www.sedar.com](http://www.sedar.com), and on the company website at [www.imperialoil.ca](http://www.imperialoil.ca).

## ***Directors' Approval***

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



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

## VI. Schedules

### **Schedule A - 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.

#### **Form 58-101F1 – Corporate Governance Disclosure**

<b>1. Board of Directors</b>	
(a) Disclose the identity of directors who are independent.	Imperial's five independent directors are K.T Hoeg, J.M. Mintz, R. Phillips, S.D. Whittaker and V.L. Young. See page 18 for further description of director independence and a chart for reference.
(b) Disclose the identity of directors who are not independent and describe the basis for that information.	Imperial has three directors that are not independent and they are B.H. March, P.A. Smith and R.C. Olsen. See the chart on page 18 for a description and chart setting out the reasons for non-independence.
(c) Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the board of directors (the <b>board</b> ) does to facilitate its exercise of independent judgement in carrying out its responsibilities.	A majority of the board consists of directors whom the board has determined to be independent. See page 18 for a chart on director independence.
(d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.	See chart on page 19 for information on the directors that serve on the boards of other reporting issuers.
(e) Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors.	The independent directors conduct executive sessions following every regular board meeting and as required by the independent directors. These meetings are held 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 eight executive sessions in 2008.

<p>(f) Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the board has neither a chair that is independent nor a lead director that is independent, describe what the board does to provide leadership for its independent directors.</p>	<p>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 Schedule B.</p>
<p>(g) Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed financial year.</p>	<p>See charts on pages 8 through 15 and page 17 for each director's attendance for all board meetings in 2008.</p>
<p><b>2. Board Mandate</b></p>	
<p>Disclose the text of the board's written mandate. If the board does not have a written mandate, describe how the board delineates its role and responsibilities.</p>	<p>The board mandate is found in the charter which is attached as Schedule B.</p>
<p><b>3. Position Descriptions</b></p>	
<p>(a) Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.</p>	<p>The position description of the chairman (currently B.H. March) is set out in paragraph 10(a) of the Board of Directors charter attached as Schedule B. The position description of the chair of the audit committee (currently V.L. Young) is set out in paragraph 2 of the Audit Committee Charter attached as Schedule B. The position description of the chair of the environment, health and safety committee (currently J.M. Mintz) is set out in paragraph 2 of the Environment, Health and Safety Committee Charter attached as Schedule B. 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 Schedule B. The position description of the chair of the nominations and corporate governance committee (currently S.D. Whittaker) is set out in paragraph 2 of the Nominations and Corporate Governance Committee Charter attached as Schedule B.</p>
<p>(b) Disclose whether or not the board and CEO have developed a written position description for the CEO. If the board and CEO have not developed such a position description, briefly describe how the board delineates the role and responsibilities of the CEO.</p>	<p>The position description of the chairman, president and chief executive officer (currently B.H. March) is set out in paragraph 10(a) of the Board of Directors charter attached as Schedule B.</p>

<b>4. Orientation and Continuing Education</b>	
(a) Briefly describe what measures the board takes to orient new directors regarding (i) the role of the board, its committees and its directors, and (ii) the nature and operation of the issuer's business.	The vice-president, general counsel and 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.
(b) Briefly describe what measures, if any, the board takes to provide continuing education for its directors. If the board does not provide continuing education, describe how the board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.	Continuing education is provided to board members by regular presentations provided by senior management on the main areas of company business. In August or September, 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 September 2008, the board visited the Calgary Research Centre.
<b>5. Ethical Business Conduct</b>	
(a) Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code:	The company has adopted a written code of ethics and business conduct ("Code"). See discussion on page 43 under "Ethical Business Conduct" relating to the Code.
(i) disclose how a person or company may obtain a copy of the code;	The code can be found on the company's website at <a href="http://www.imperialoil.ca">www.imperialoil.ca</a> and a copy has also been posted on the company's SEDAR profile at <a href="http://www.sedar.com">www.sedar.com</a> .
(ii) describe how the board monitors compliance with its code, or if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code; and	See discussion on page 43 under "Ethical Business Conduct" describing how the board monitors compliance with the Code.
(iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.	No material change report has been filed that pertains to any conduct of a director or executive officer that constitutes a departure from the Code.
(b) Describe any steps the board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.	See discussion on page 43.
(c) Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.	See discussion on pages 43.

<b>6. Nomination of Directors</b>	
(a) Describe the process by which the board identifies new candidates for board nomination.	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 Schedule B. 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 renomination, 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.
(b) Disclose whether or not the board has a nominating committee composed entirely of independent directors. If the board does not have a nominating committee composed entirely of independent directors, describe what steps the board takes to encourage an objective nomination process.	The nominations and corporate governance committee is composed of independent directors and R.C. Olsen, who is not independent by virtue of his employment with Exxon Mobil Corporation. Mr. Olsen can be viewed as independent of the company's management and his participation helps to ensure an objective nominations process. His participation assists the deliberations of this committee by bringing the views and perspectives of the controlling shareholder.
(c) If the board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.	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 Schedule B.
<b>7. Compensation</b>	
(a) Describe the process by which the board determines the compensation for the issuer's directors and officers.	For a discussion on the process by which the board determines the compensation for the company's directors, see page 22 and for a discussion on the process by which the company's named executive officers is determined, see pages 33 through 35.
(b) Disclose whether or not the board has a compensation committee composed entirely of independent directors. If the board does not have a compensation committee composed entirely of independent directors, describe what steps the board takes to ensure an objective process for determining such compensation.	The executive resources committee is composed of independent directors and R.C. Olsen, who is not independent by virtue of his employment with Exxon Mobil Corporation. Mr. Olsen can be viewed as independent of the company's management and his participation helps to ensure an objective process for determining compensation of the company's officers and directors. His participation assists the deliberations of this committee by bringing the views and perspectives of the controlling shareholder.
(c) If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.	The responsibilities, powers and operation of the executive resources committee are set out in the Executive Resources Committee Charter attached as Schedule B.

<p>(d) If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.</p>	<p>In fulfilling its responsibilities during 2008, the executive resources committee retained one independent consultant to assist in determining compensation for senior executives. Towers Perrin provided an independent assessment of competitive chief executive officer compensation to assist in the committee's decision-making for B.H. March. Towers Perrin provides compensation market comparisons for the company, but was not retained to provide any other compensation determinations or advice for the company or committee.</p>
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**8. Other Board Committees**

<p>If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.</p>	<p>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 Schedule B. As well, 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 of the independent directors of the company and P.A. Smith. The chair of the Foundation is K.T. Hoeg.</p>
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**9. Assessments**

<p>Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively.</p>	<p>The board and its committees are assessed on an annual basis. See discussion on page 24 under "Director Performance Assessment" for more of the directors' survey process. 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.</p>
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## ***Schedule B - Board of Director and Committee Charters***

### **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
- nonemployee director compensation
- policies adopted by the board
- investigations and litigation of a material nature

##### **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 nonemployee 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.

## **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.

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;
- 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 15000 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 will resign in the event that he or she:

- experiences a change in circumstances such as a change in his or her principal occupation, but not merely a change in geographic location;
- 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, 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,

and the nominations and corporate governance committee will make a recommendation to the board as to whether to accept or reject such resignation.

## **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.

## 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.
- (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 and the internal auditor 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.

## 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 no fewer than five members, to be appointed by the board of directors from among (a) the unrelated and independent directors; and (b) the non-independent directors who are not members of the corporation's management, 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.

## 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 no fewer than five members, to be appointed by the board of directors from among the (a) unrelated and independent directors; and (b) the non-independent members who are not members of the corporation's management, 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 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.
  - (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 salaries and other compensation (including supplemental compensation such as cash bonuses and IEBU's, long term incentive compensation such as RSU's, and any other payments for service), for the chief executive officer and other key senior executive management positions reporting directly to the chief executive officer, including all officers of the corporation,.
  - (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 the chief executive officer and other key senior executive management positions reporting directly to the chief executive officer, including all officers of the corporation.
- (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.

## 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 no fewer than five members, to be appointed by the board of directors from among (a) the unrelated and independent directors; and the (b) the non-independent directors who are not members of the company's management, 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.
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 nonemployee 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.
- (l) make a recommendation to the board of directors as to whether to accept or reject any resignation tendered by a director as provided in subclause 9(b)(ii) of the board of directors charter.