INVESTORS *for* PARIS COMPLIANCE

APRIL 2024

INVESTOR BRIEF: TSX, NYSE: SU

CONTEXTUAL INFORMATION REGARDING NET ZERO FINANCIAL REPORTING RESOLUTION FILED AT SUNCOR

VOTING INFORMATION

Meeting date: **May 7, 2024, 10:30 am (MDT)**
Proxy cut off date: Intermediaries must receive instructions by **10:30 am MDT on May 3, 2024**, 2024.
Voting information: here

NOTE: This is NOT a solicitation of your proxy; it simply provides contextual information from public sources regarding the proposal. Please do not send us your proxy card—we are not able to vote your proxies nor does this communication contemplate such an event. We recommend shareholders follow voting instructions provided in management's proxy mailing.

CONTACTS

Duncan Kenyon
I4PC Director of Corporate Engagement
duncan@investorsforparis.com

CONTENTS

ABOUT INVESTORS FOR PARIS COMPLIANCE

Investors for Paris Compliance (I4PC) is a shareholder advocacy organization that works to hold Canadian publicly-listed companies accountable to their net zero commitments. More information can be found here.

Investors for Paris Compliance, representing Salal foundation, presents **Item 5: Shareholder Proposal No. 2 – To consider a shareholder proposal for Suncor to disclose audited results assessing a range of climate transition scenarios financial statements.** The proponent is not seeking that Suncor change its judgements on which net zero scenario the company utilizes, or timing and pace of the energy transition. Instead, investors are looking for Suncor to perform a sensitivity analysis against multiple climate transition scenarios and discuss the quantitative impact on the company's financial statements. This is information that the Company (and its auditors) should be prudently scrutinizing as a matter of regular accounting and audit practice.

This disclosure can help Suncor address significant material risks to its business. For the following reasons, Suncor should address the impact of the climate transition in its financial statements:

1. Suncor's current disclosure is insufficient
2. Inclusion of climate considerations is required within existing standards, and is a matter of regular accounting and audit practice

Suncor did not accept proponent's invitation to meet and discuss this proposal.

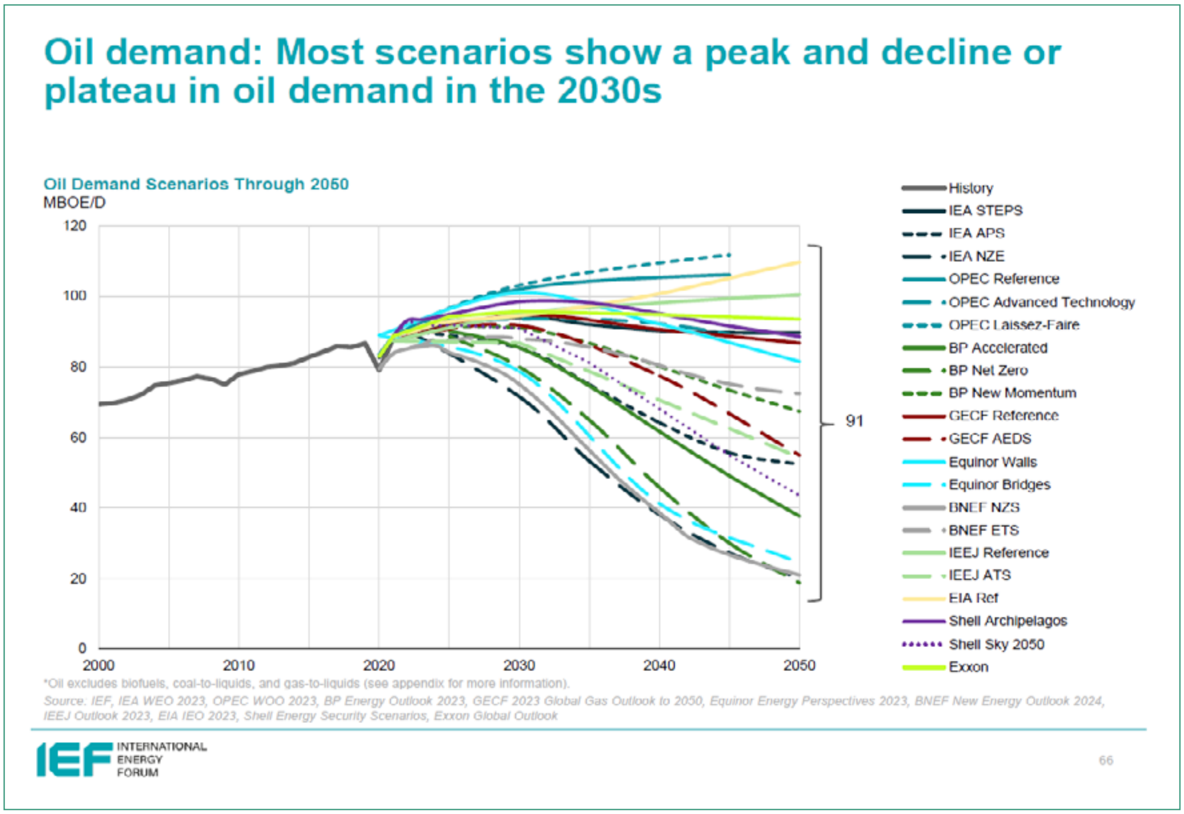
BACKGROUND

As one of Canada's largest integrated oil and gas companies, Suncor is subject to significant risks with respect to both climate change and the energy transition. Understanding the financial impacts of these risks could have material relevance to investors, providing insights into decision-useful information.

Investors managing climate factors in their portfolios, such as Climate Action 100+ signatories, are expecting oil and gas companies to deliver credible transition plans[1] and ensure that financial disclosures account for[2] and reflect the effects of the energy transition on these companies' business.[3]

The energy transition (regardless of scenario utilized) will impact oil and gas companies' assets, liabilities, and profitability. Oil and gas companies need to reflect in their financial reporting how adjusting key inputs[4] aligned with certain scenarios quantitatively affect the balance sheet today.

1 https://www.climateaction100.org/news/climate-action-100-publishes-net-zero-standard-for-oil-gas-company-assessments-alongside-analysis/
2 https://www.ceres.org/resources/reports/lifting-veil-investor-expectations-paris-aligned-financial-reporting-oil-and-gas
3 https://www.icgn.org/sites/default/files/2023-11/16_ICGN%20sets%20out%20investor%20expectations%20on%20reflecting%20climate-related%20matters%20in%20financial%20statements.pdf
4 Key inputs include estimated future oil price, margins (e.g. crack spread for integrated oil ad gas companies), changes to predicted production, impact on production growth, reservoir valuation and estimates, goodwill, future costs for emissions from operations, asset valuation, retirement and reclamation obligations, etc.



Oilsands' production faces the dual challenge of being amongst the highest emissions and highest cost sources of oil in the world.[5] That starting point means current technology and policy, let alone future technology and policy, is a major risk for the Suncor and the sector. To meet current or increased climate ambition, the oilsands have a higher emission starting point relative to other oil production and will require deeper emission cuts to keep level with other barrels.

Current and more ambitious actions to change our global energy system can impact oil and gas companies' assets, liabilities, and profitability. Oil and gas companies need to reflect the range of scenarios in their financial reporting by including specific financial impacts on estimated future oil price, margins (e.g. crack spread for integrated oil ad gas companies), changes to predicted production, impact on production growth, reservoir valuation and estimates, goodwill, future costs for emissions from operations, asset valuation, retirement and reclamation obligations, etc.

5 https://www.pembina.org/reports/survival-of-the-cleanest.pdf

INCLUSION OF CLIMATE CONSIDERATION IS REQUIRED WITHIN EXISTING STANDARDS, AND IS A MATTER OF REGULAR ACCOUNTING AND AUDIT PRACTICE

Canadian companies are subject to standards set by International Financial Reporting Standard (IFRS). According to the IFRS, "companies must consider climate-related matters in applying IFRS Accounting Standards when the effect of those matters is material in the context of the financial statements taken as a whole."[6] Failure to disclose the potential impact of climate change and the energy transition on assets, liabilities and profitability represents a material omission that impedes a fair understanding of the company's financial position.[7]

Those oil and gas companies practicing strong financial reporting are following this standard (see "peers" section below) in providing better financial reporting of climate risk.

KPMG, Suncor's auditor, underscores the necessity of accounting for such information. In an article KPMG posted on the disclosure of climate-related matters, KPMG cites paragraph 112 and 17(c) of IAS 1, which stresses the need for disclosures that are "relevant to an understanding of the financial statements" and requires that "in certain circumstances, a company may need to include additional disclosures to achieve a 'fair presentation' in the financial statements." Specifically, the auditor advises companies to "Provide clear and robust disclosures, especially of the key judgements and estimates affected by climate-related matters."[8]

Therefore, the request for disclosing audited results that assess the impact of climate transition scenarios on financial assumptions and valuations conforms with, rather than diverges from, established accounting standards and practices. The focus here is not merely on following an "industry practice" trend but addressing the essential omission of information that can significantly affect a company's financial standing, thereby ensuring a "fair representation" of its financial position.

6 https://www.ifrs.org/content/dam/ifrs/supporting-implementation/documents/effects-of-climate-related-matters-on-financial-statements.pdf

7 https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/ifrs-s2-climate-related-disclosures/

8 https://kpmg.com/xx/en/home/insights/2021/06/climatechange-environmental-decommissioning-obligations.html

SUNCOR'S CURRENT DISCLOSURE IS INSUFFICIENT

Suncor's current financial reporting on climate risk has yet to move from reporting that the company has considered climate risk to reporting the actual impacts of those considerations on the company's financial performance.

While Suncor does report that "climate change and the transition to a low-emissions economy" could impact the recoverable amounts of assets and decommissioning provisions, it does not report on the financial implications for these impacts. Specifically, it is unclear whether any financial impacts have been included in key financial statement items such as remaining useful lives of property, plant and equipment, decommissioning provisions, new decommissioning obligations recorded, or any impacts on refining assets and liabilities.

In terms of key metrics, Suncor does disclose long-term oil prices used to test certain assets for impairment, production assumptions for certain asset impairment tests, and the discount rate used and undiscounted amount of its decommissioning provisions. However, it fails to provide critical details such as refining margins, carbon costs used to test asset recoverability, and information around the remaining lives of productive assets. These omissions pose a challenge for investors trying to grasp how Suncor factors in significant climate-related regulatory, operational and market matters into its financial reporting.

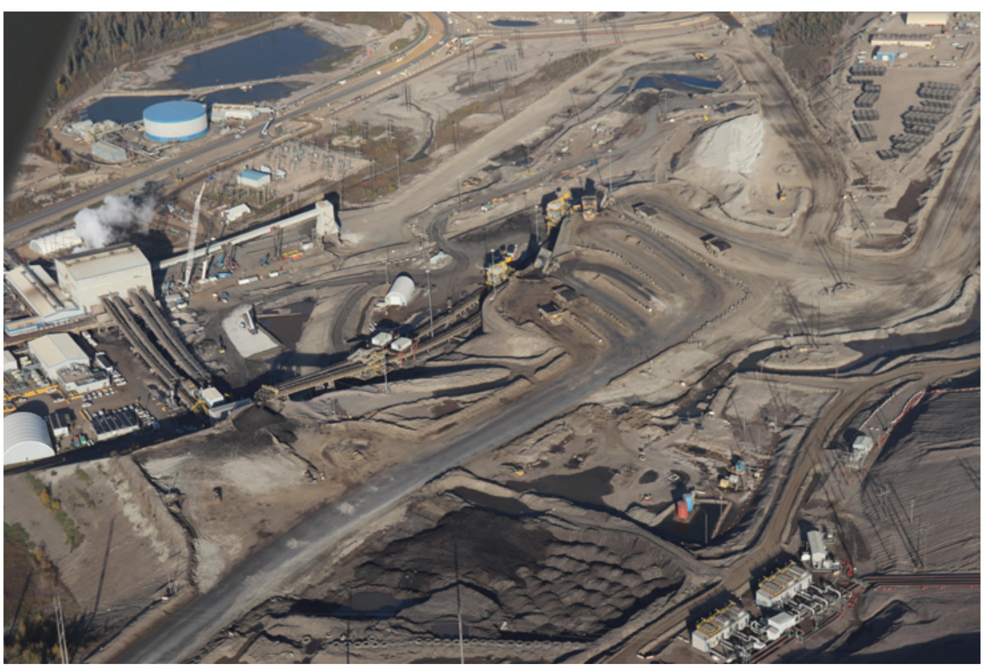
Although Suncor provides evidence of consideration of its emissions targets, and the actions to reduce its emissions, it is not clear what the financial impacts of those considerations are. For example, Suncor references its 2050 target and emission reduction actions (fuel switching, energy efficiency, and carbon capture, use and storage) in its financial notes, yet it is not clear that the impacts of achieving the target or implementing these actions are factored into its financial performance.

CA100+ investors recently released an evaluation of ten oil and gas focus companies' transition strategy, where Suncor received the lowest score, earning 20% for its disclosures, 0% for alignment, and 0% for climate solutions.[9] In its separate company assessments CA 100+ finds Suncor has significant room to improve its financial reporting on the financial effects of climate-related risk.[10]

9 https://transitionpathwayinitiative.org/publications/uploads/2024-setting-the-standard-assessing-oil-and-gas-companies-transition-plans

10 https://www.climateaction100.org/company/suncor-energy-inc/#skeletabsPanel2

CA 100+ investors expect Suncor and other companies to move from "having considered" climate risk to providing the financial impact of those considerations on the relevant financial statement items. In the case of Suncor, relevant items could include the impacts on impairment assessments, the shortening of asset lives, accelerated decommissioning provisions, and the impacts on its refining margins or activities.



"Suncor 2019" by Jason Woodhead is licensed under CC BY 2.0.

PEERS

The following table provides some examples of oil and gas companies providing good financial reporting of climate risk.

COMPANY	REPORTING ACTION	EXAMPLE
Repsol	Climate Accounting Standard	"In accordance with IFRS standards, Repsol's financial statements are based on reasonable and sound assumptions that represent the Directors' best current estimate of the range of economic conditions that may exist in the foreseeable future in relation to climate change and energy transition"[11] Note 4.5.2 p. 18 Repsol 2023 Consolidated annual financial report
	Calculating the recoverable amount of the assets	"The estimates take into consideration the scenarios of the energy transition and decarbonization of the economy, which are consistent with the objectives of the Paris Agreement and with the decarbonization commitments assumed by Repsol…"[12] Note 4.5.1 p. 14 Repsol 2023 Consolidated annual financial report
	Impairment charges from transition risk	"…by significant impairment losses recognized, in particular those of 2019 (approximately €6,000 million, mainly as a result of the changes in forecasts for crude oil, and gas prices in energy transition and decarbonization scenarios consistent with the objectives of the Paris Agreement).[13] Note 4.5.2 p. 19 Repsol 2023 Consolidated annual financial report
Shell	Price sensitivities using climate pricelines	"A change of -10% or +10% to the mid-price outlook, as an average percentage over the whole life cycle of assets, would result in around $5-8 billion (2022: $2-5 billion) impairment or $2-5 billion (2022: $2-4 billion) impairment reversal respectively in Integrated Gas and Upstream (see Note 12). Compared with the prior year, the higher impact of a 10% decrease in commodity prices is mainly driven by lower headroom for certain assets between carrying value and recoverable value at December 31, 2023."[14] Note 4 p. 262 Shell Shell Annual Report and Accounts 2023 Annual Report and Accounts 2023
	Sensitivity to changes in commodity prices	Shell recognizes that "the energy transition will continue to bring volatility and there is significant uncertainty as to how commodity prices will develop over the next decades." Based on that recognition, Shell assessed sensitivity to changes in commodity prices based on three scenarios: IHS Markit 2023 Accelerated CCS scenario; Woodmac WM AET-1.5 degree scenario; and IEA Net Zero Emission 2050 scenario. Shell includes the scenarios oil price assumptions, and the sensitivity analysis in a clear and concise form.[15] Note 4 p. 262-264 Shell Shell Annual Report and Accounts 2023 Annual Report and Accounts 2023

11 https://www.repsol.com/content/dam/repsol-corporate/en_gb/accionistas-e-inversores/informes-anuales/2023/consolidated-annual-financial-report-2023.pdf
12 Ibid.
13 Ibid.
14 https://reports.shell.com/annual-report/2023/_assets/downloads/shell-annual-report-2023.pdf
15 Ibid.

PROPOSAL AND SUPPORTING STATEMENT

RESOLVED: That Suncor disclose audited results assessing a range of climate transition scenarios on the assumptions, costs, estimates, and valuations underlying its financial statements, including those related to long-term commodity and carbon prices, remaining asset lives, future asset retirement obligations, capital expenditures, and impairments. The results should be released no later than the publication of the 2025 Annual Financial report and be produced at reasonable cost and omitting proprietary information.

SUPPORTING STATEMENT:

Suncor faces greater uncertainty and risk from the energy transition than ever. Current implemented climate action has changed future energy scenarios with predicted global demand for oil peaking[16] this decade and a faster decline if more ambitious climate action results in an even faster decline in oil demand.[17]

The looming peak in oil demand changes the longstanding assumption of a never-ending growth in global demand for oil. Investors now need Suncor to provide more robust financial reporting to account for the risks, challenges, and potential opportunities of a changing market.

As the investor-led CA100+ Climate Accounting and Audit Assessment found, Suncor has significant room to improve its financial reporting on "the financial effects of climate-related risk and the global move onto a 2050 (or sooner) net zero greenhouse gas (GHG) emissions pathway."[18]

Suncor is highly focused on its oilsands business at a time when those assets face heightened cost and carbon risks relative to conventional oil. Suncor is proposing carbon capture and storage as a solution, yet there has been a lack of disclosure on feasibility, cost, specific emissions reductions, and regulatory compliance for this technology.

Suncor discloses in its 2023 CDP report that its refining business faces a "more likely than not" medium term financial risk of $1.89b – a 33% decrease in revenue – to its refining business from "decreased revenues due to reduced demand for products and services."[19] This potential risk raises questions about transition risk to other parts of Suncor business and underlines the need for Suncor to provide investors with more robust financial reporting on the assumptions, costs, estimates, and valuations from a range of potential energy transition scenarios in its financial statements.

16 https://www.iea.org/news/the-energy-world-is-set-to-change-significantly-by-2030-based-on-today-s-policy-settings-alone

17 2023 IEA IEF OPEC Outlooks Comparison report - oil demand scenario analysis p. 63 https://www.ief.org/_resources/files/reports/outlook-comparison-report.pdf

18 CA100+, Climate Accounting and Audit Assessment of Suncor's financial reporting https://www.climateaction100.org/company/suncor-energy-inc/#skeletabsPanel2

19 Suncor 2023 CDP Climate Report, Section 2.3a, Risk #3 https://sustainability-prd-cdn.suncor.com/-/media/project/ros/shared/documents/cdp-responses/2023-suncor-cdp-climate-change-questionnaire-en.pdf

Reporting is needed to provide more clarity and transparency on the impacts to the company in the short term (1-5 years) and medium term (5-10 years) of a changing energy market.

Shareholders therefore request that Suncor provide more robust disclosure in its financial statements to enable investors to better assess the risks and opportunities that Suncor faces in the energy transition. **We respectfully request that shareholders vote FOR this proposal.**