

**Remarks by Jim Shepard, Audit Committee Chair
to the Annual Meeting of Shareholders
Calgary, Alberta
May 1, 2008**

Audit Committee Report



Jim Shepard
Committee Chair

Thank you Mr. Chairman and, good morning, ladies and gentlemen.

It's my pleasure to present to you the report of the audit committee of Imperial's board of directors. In my remarks this morning, I will cover the key responsibilities of the audit committee, our assessment of management's financial reporting and business controls, and the company's adherence to its standards of business conduct. Finally, I will recommend that you vote for the reappointment of PricewaterhouseCoopers as the company's auditor.



First, I'll begin by telling you about the composition of the audit committee, of which I have been a member for the last 10 years. Collectively, we have more than 30 years of experience serving Imperial's shareholders.



We are five independent directors. Our independence – that is, our ability to perform our work impartially – is critical to sound corporate governance as well as shareholder, investor and public confidence.

Of course, it is just as important that we have appropriate financial expertise. The role and purpose of the audit committee is to review Imperial's annual and quarterly financial statements, accounting practices and business and financial controls. Three of our members have accounting or related financial management expertise, and meet the qualification to be audit committee financial experts as defined by the Securities and Exchange Commission. Our experience helps us to assess the work of management, and of the company's internal and external auditors. It also helps us to understand the sometimes highly complex information and results that we review.

Broadly speaking, the committee's mandate is to assure the board of directors – as well as shareholders – of the integrity of the financial information prepared and reported by the company's management, and of the practices and procedures used in preparing that information. Also, we assess the effectiveness of the management control systems.

We are confident that investors can rely upon the financial information contained in the annual report as well as in the quarterly financial statements released to investors and market regulators.

We have unrestricted access to management, internal audit and external auditors. We receive reports and meet with the external auditors and the company's internal auditor, separate from management. And, while management may be invited to attend committee meetings periodically, their role is limited to providing information. They do not participate in committee decisions.

In 2007, the audit committee met five times to review the quarterly and annual financial statements, supporting management discussion and analysis. This includes reviews of accounting practices and control assessment reports from both internal and external auditors. We also covered such matters as risk management, site restoration provisions, oil and gas reserves reporting, and compliance with Imperial's business ethics policy.

Shareholders' Interests are Protected and Fostered

- Sound governance practices exist
- Straightforward capital structure
- Transparent accounting practices

I am pleased to say that, as a result of these reviews, we have concluded that your interests as shareholders are being protected and fostered by the company's management.

The audit committee also concluded that sound governance practices are in place throughout the organization. The company's capital structure is straightforward. Its accounting practices are transparent. Imperial does not use special-purposes entities, special adjustments or pro-forma reporting, nor does it use derivatives to speculate or hedge on the future of commodity prices. It does not sell forward future production. And its revenues are recorded at fair value at the time of sale.

Let's move now to business controls ...

Well-developed and effectively executed business controls are essential to ensure financial statements are accurate and to prevent fraud.

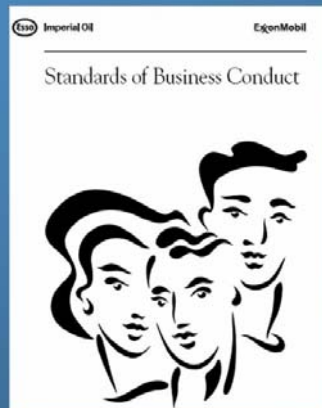
Disciplined and Rigorous Business Controls

- Covers all aspects of the business
- Clear performance expectations
- Defined accountabilities
- Continually assessed
- Reported to management

At Imperial, business controls are applied with discipline and rigour. The company expects candour from employees at all levels and adherence to their internal controls. Control standards cover every aspect of the business. Each unit has clear performance expectations and defined individual accountabilities.

Controls and their application are continually assessed and improved upon. Through the discipline of internal audits and regular self-assessments, opportunities are identified and acted upon by senior management.

Standards of Business Conduct



Foundation Policies

- Ethics
- Conflicts of Interest
- Corporate Assets
- Directorships
- Gifts and Entertainment
- Political Activities
- International Operations
- Antitrust/Competition Law
- Health
- Safety
- Product Safety
- Environment
- Customer Relations and Product Quality
- Equal Employment Opportunity
- Harassment in the Workplace
- Alcohol and Drug

Imperial complies with all applicable government laws, rules and regulations. Their Standards of Business Conduct outline policies and guidelines on such matters as conflict of interest, integrity of dealings both inside and outside the company, competition law and restricted trade practices. Employees and directors – including myself – are required to fully comply with the Standards of Business Conduct.

These standards are also reflected in contracts with suppliers and customers. Each year, directors, officers and employees review the standards. In addition, employees in positions of higher risk of exposure to ethical or conflict-of-interest situations are required to sign a statement acknowledging they agree to abide by the standards and have done so in the prior period.

The standards are used to define how business should be conducted. It is based on the belief that: "A well-founded reputation for scrupulous dealings is itself a priceless corporate asset."

Imperial Oil has always encouraged employees to ask questions, voice concerns and make appropriate suggestions regarding the business practices of the company. Employees are expected to report promptly to management suspected violations of the law, company policies or internal controls, so that management can investigate and take appropriate corrective action in a timely manner.

To encourage employees to come forward, the company has set up a confidential ethics hotline and mailbox. All responses to the hotline, whether questions, concerns, complaints or suggestions, are handled in a confidential manner to protect the anonymity of the person voicing concerns. Issues related to accounting, internal accounting controls or auditing matters are referred to the audit committee. During 2007, no such issues were raised.

**Competent and
Independent Auditors**

PricewaterhouseCoopers

Finally, it is our job to evaluate the competence and independence of the auditors. To that end, the audit committee has a separate, private session at each meeting with both the PricewaterhouseCoopers partner and Imperial's general auditor to obtain assurances of their independence.

To further ensure the auditors' independence, the audit committee monitors the work done by PricewaterhouseCoopers. The audit committee approves their engagement and fees for audits and other services provided. We approve their audit program and assess the results. Finally, we also approve, in advance, any non-audit services to be performed. This is to ensure that such engagements would not affect the auditor's independence.

This committee has the responsibility to recommend the external auditors to be appointed by the shareholders. PwC have been auditors of the company for many years and I am pleased to recommend to you today that PricewaterhouseCoopers be reappointed as auditors of Imperial Oil Limited. You will be asked to vote on this recommendation later in the meeting.

In closing, I'd like to reiterate that the audit committee is satisfied that Imperial Oil has met all required accounting standards, has disclosed its financial information in a timely and accurate manner, and continues to show strong performance in the area of business controls.

We are also satisfied that Imperial's employees continue to demonstrate their commitment to uphold the company's core values of integrity and honesty. On behalf of the shareholders, I would like to thank them for their efforts.

On a more personal note, I have proudly served as a director for Imperial Oil for just over a decade and most of that as chair of the audit committee. The time has now come for me to move on to face new challenges.

It has been an honour and privilege to have been associated with such a fine institution. Imperial's reputation for maintaining the high standard of excellence stands out in the Canadian business community. Let me repeat – it has been a genuine honour.

I would like to express my deep appreciation to my colleagues on the audit committee and the board. It has been a stimulating and enjoyable experience to work with them all over the past years. It has also been a pleasure to work with management whose relentless focus on flawless execution has been an ongoing inspiration to me.

And finally, I thank you, Imperial's shareholders, for your trust, confidence and support.

Mr. Chairman that concludes the report of the audit committee.