



Thank you, Mr. Chairman, and good morning ladies and gentlemen. How a company manages health, safety and the environment is crucial to achieving business success. As chair of the board's environment, health and safety committee, I will report to you today on how Imperial performed in these critical areas.

First, I shall outline our efforts to ensure that Imperial continues to meet its obligations. In 2008, the committee met on a regular basis to review the company's environmental, health and safety performance. It also reviewed Imperial's approach to risk management, and its compliance with regulatory requirements. As part of our role, we monitor emerging trends and issues in environment, health and safety as well as in public policy. We assess these against the company's position and performance, and provide guidance to management on Imperial's strategies. We take a long-term perspective on many topics and expect Imperial to show us sustained improvements year over year.

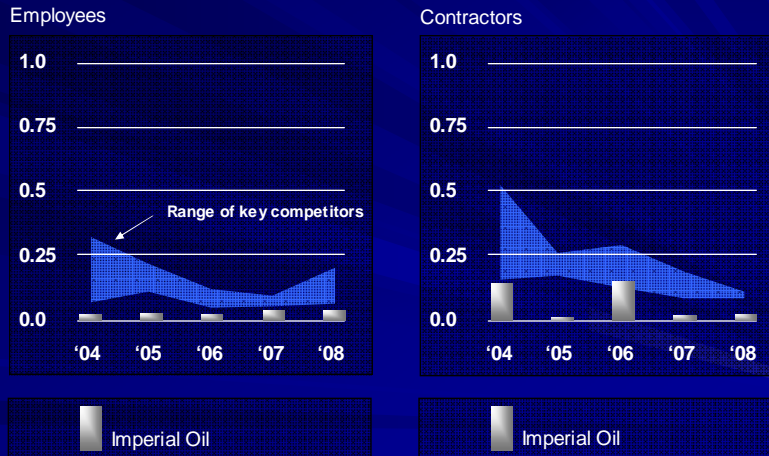
Some topics we have focused on include climate change and the company's emissions trends, contractor safety, asbestos management practices and standards, and refinery process safety and reliability. Our engagement in these topics not only underlines the importance of these issues to management but it helps us make certain that these concerns are being appropriately addressed. We know that success in meeting the company's commitments to "Nobody Gets Hurt" and "Protect Tomorrow. Today" depends not only on individual behaviour but also adherence to a systematic approach to safety, health and environmental performance for the company as a whole.

Imperial's Operations Integrity Management System, or OIMS for short, is the framework that Imperial introduced almost 20 years ago to manage safety, health, environmental and security risks in operations throughout Canada. The system has since become a model for the industry.

So, given that background, I will review Imperial's performance beginning with safety, as nothing else is more paramount.

Safety Performance

Lost-time incident rate



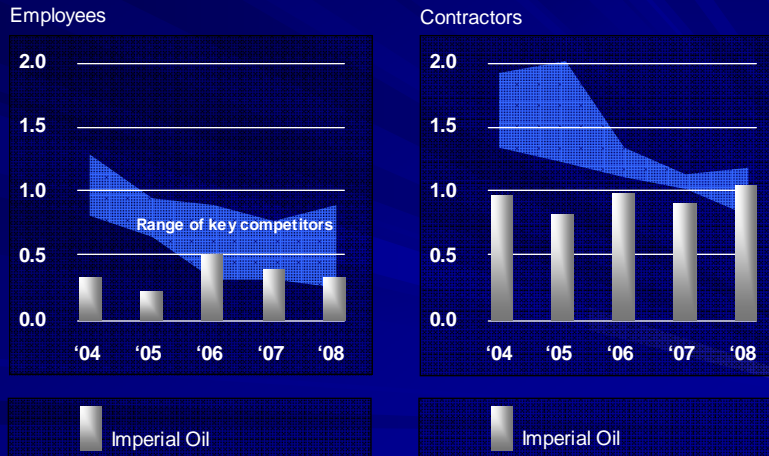
Imperial continues to sustain strong safety performance.

Of work-related lost-time injuries -- that is, individuals who needed to take time off work -- there were five: two for employees and three for contractors.

In other words, the employee lost-time injury rate remained the same as in 2007. For contractors, this rate went up by two-thirds.

Safety Performance

Total recordable incident rate



On a broader measure, in terms of all recordable injuries and illnesses, we are achieving strong performance, especially on the employee front. The 2008 employee recordable incident rate of .35 was down eight percent from the previous five-year average of .38 and we have seen a 17 percent improvement over 2007. This performance was built on the extensive safety training of leaders, the widespread engagement of the company's workforce and increased use of behavior-based safety systems.

On the contractor side, the company faces a greater challenge. The contractor recordable incident rate of 1.07 was 16 percent higher than the previous five-year average of .92 and 34 percent higher than our 2007 performance. This upward trend is a concern and an area of increased focus for Imperial.

Actions to Improve Contractor Safety Performance

- **Screening contractor supervisors**
- **Improving the way risks are identified before work begins**
- **Involving contractors more in safety programs**

In response, the company is intensifying efforts to improve contractor safety by:

- screening contractor supervisors
- improving the way risks are identified before work begins, and
- involving contractors more extensively in safety programs

The company has also placed special emphasis on reducing contractors' tolerance for risk and making firms more accountable for performance.

And while Imperial's safety rates for employees and contractors continue to be better than the latest industry benchmarks, the company will not be satisfied until it creates a work environment that is incident-free for all workers.

Environmental Performance

- **Goal is to “Protect Tomorrow. Today.”**
- **Environmental business planning**
- **Invested more than \$600 million to reduce emissions, remediate land and make other environmental improvements**

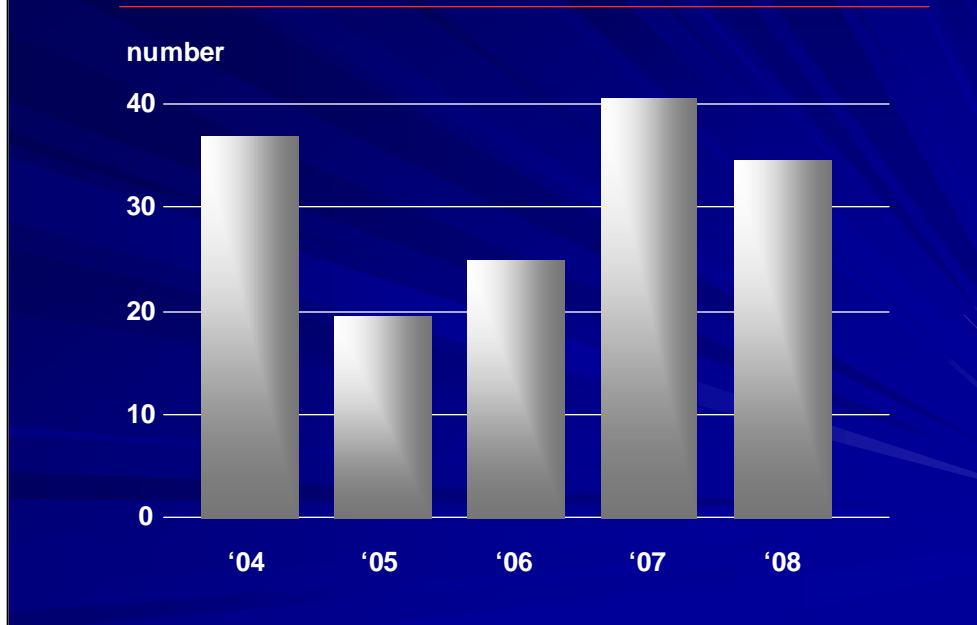
Now, let us turn to environmental performance. Imperial's goal to "Protect Tomorrow. Today" is both simple and challenging.

What this means is that the company will conduct business in an environmentally responsible way today for the benefit of everyone's future. To do this, Imperial takes a systematic approach to building environmental thinking and planning into everything it does.

Each year, Imperial identifies and integrates environmental improvements into its business plans. Goals are updated annually, and progress is overseen by senior management through regular reviews. Imperial has also expanded its environmental leadership training program as well as made significant financial investments in the environment. For instance, in 2008, Imperial invested more than \$600 million to reduce emissions, remediate land and make other environmental improvements.

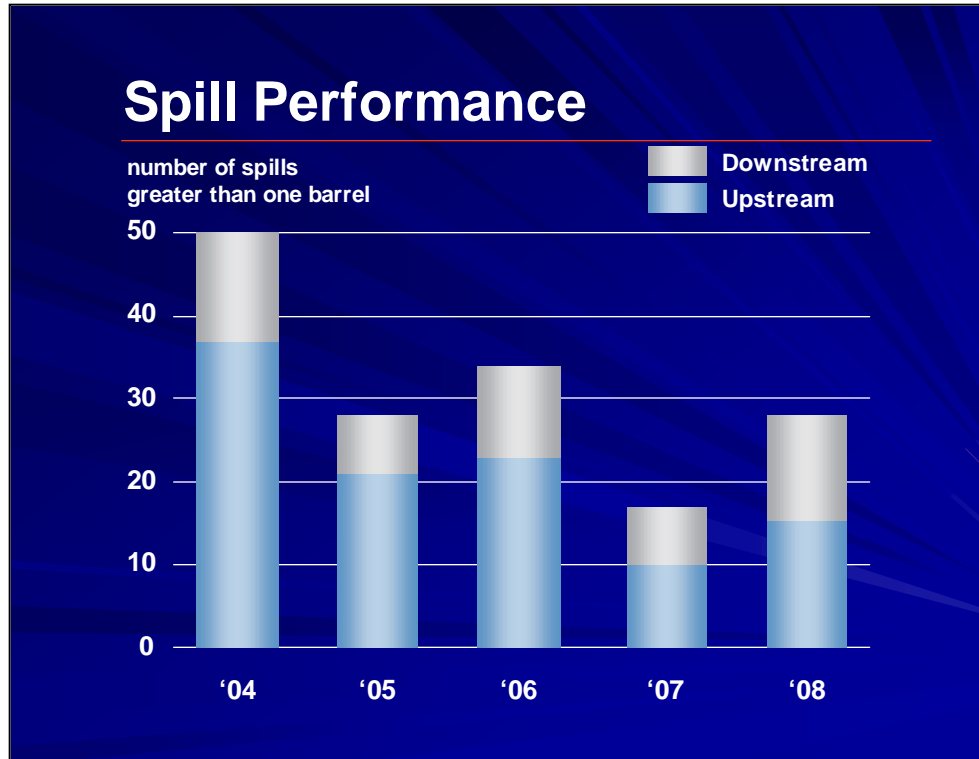
So has this made a difference? Let us look at some parameters.

Environmental Regulatory Compliance Incidents



We will start with environmental compliance.

In 2008, the company recorded fewer environmental regulatory incidents than in 2007. Although an improvement, the numbers do not tell the full story. For instance, about half these incidents were associated with exhaust from the CO boiler stack at Sarnia. Although the air excursions posed no health or safety concerns, Imperial takes all cases of non-compliance seriously. In all these incidents, each cause was investigated and follow-up actions were taken to prevent reoccurrence.



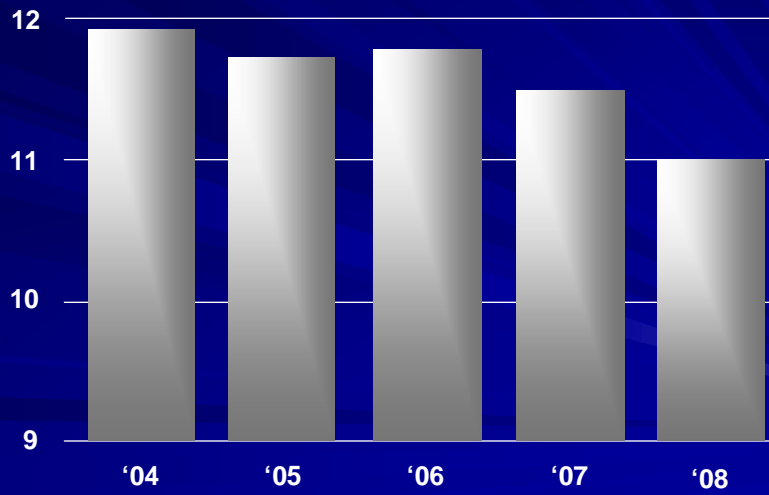
Turning to spill performance, as you can see, spills increased to 28 in 2008 from a best-ever level of 17 in 2007. Spill volumes also increased from 126 barrels in 2007 to 628 barrels in 2008.

A good proportion of those spills were due to human error rather than equipment issues.

Imperial is addressing the behavioural issues behind these types of errors through programs such as Essentials of Environmental Excellence in the downstream and, EMFORCE or ExxonMobil Fundamentals of Regulatory Compliance and Environment in the upstream. Both programs work to draw a connection between actions taken at work to the employee's core values about the importance of the environment.

Greenhouse Gas Emissions

(millions of tonnes of CO₂ equivalent)



Now, let me say a few important words about greenhouse gas emissions. In 2008, the company's total emissions continued a downward trend and dropped by four percent from 2007 and seven percent from 2004.

Integrated set of solutions

- **Using energy more efficiently**
- **Cogeneration at Cold Lake and Sarnia**
- **Advancing breakthrough research efforts**

To address the dual challenge of supplying energy essential for economic growth while at the same time reducing greenhouse gas emissions, the company is committed to an integrated set of solutions.

The company's near term actions are focused on using energy more efficiently with a lower environmental impact. For example, the company's Global Energy Management System makes use of international best practices to identify measures that can be taken to improve energy efficiency and reduce greenhouse gas emissions in all of our operations. The system also increases understanding, at the design stage, of energy efficiency and emission reduction opportunities through new projects. Since 1990, the overall energy efficiency of Imperial's refineries has improved by 15 percent. Our target is to improve energy efficiency across our operations by more than one percent each year.

Another way the company saves energy is through cogeneration, a clean and efficient method of integrating heat from producing electricity back into our operations. The company has cogeneration facilities at Cold Lake and Sarnia, with a combined capacity of 265 megawatts. New major investments will also look to use cogeneration technology.

As part of its longer term approach, the company is advancing breakthrough research efforts that hold the potential to deliver game-changing options. The company is the founding sponsor of the Imperial Oil-Alberta Ingenuity Centre for Oil Sands Innovation at the University of Alberta. This centre brings together some of the best scientific and engineering minds in the country to develop new technologies associated with oil sands development, including more energy-efficient ways to mine, extract and upgrade Alberta's vast bitumen resource.

In the industry, Imperial is recognized as a leader in safety and environmental performance and, in 2008, the company made improvements on both fronts. What sets Imperial apart is that its people are not satisfied with these results. The company's first priority is to achieve operational excellence and flawless execution, and it believes it will get there through a disciplined management approach.

In closing, my committee and I are encouraged by Imperial's progress and pledge to "Protect tomorrow. Today" and "Nobody Gets Hurt." As demand for energy grows along with even higher expectations for health, safety, and environmental protection, we firmly believe that the company will continue to take the actions necessary to protect its workers and the environment. Thank you.