



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.

## Audit Committee Members



**Victor Young**



**Sheelagh Whittaker**



**Krystyna Hoeg**



**Jack Mintz**



**Roger Phillips**

First, I'll begin by telling you about the composition of the audit committee.

## Independence of the Committee

- **Critical to sound corporate governance**
- **Composition meets SEC qualifications**
- **Unrestricted access**

We are five independent directors. Our independence 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 expertise. Four 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.

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.

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 or other directors may be invited to attend committee meetings, their role is limited to providing information. They do not participate in committee decisions.

In 2008, 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 remains 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...

## **Disciplined and Rigorous Business Controls**

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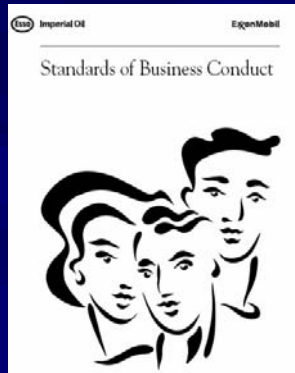
- **Clear performance expectations**
- **Continually assessed**
- **Reported to management**

Well-developed and effectively executed business controls are essential to ensure financial statements are accurate and to prevent fraud. At Imperial, business controls are applied with discipline and rigor.

The company expects candour from employees at all levels and adherence to their internal controls. Controls and their application are continually assessed for improvements.

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 are required to fully comply with the Standards of Business Conduct.

Imperial encourages its employees to ask questions, voice concerns and make appropriate suggestions regarding its business practices. All employees are expected to report promptly to management any 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 dialogue, the company has maintained a confidential ethics hotline and mailbox since 2004. All questions, concerns, complaints or suggestions are handled in a confidential manner to protect the identity of the person voicing concerns. No issues related to accounting, internal accounting controls or auditing matters were raised in 2008.

## **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 Pricewaterhouse Coopers 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 Pricewaterhouse Coopers. 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 process helps 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.

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