

Suncor Energy Inc. (Suncor)

2019 United Kingdom (UK) Tax Strategy



Introduction

In accordance with Schedule 19 of Finance Act 2016 this document outlines the standards and approach to tax affairs and how tax risk is managed in respect of Suncor's UK subsidiaries (Suncor UK). Suncor UK is governed by Suncor's overall group policies and procedures.

Business Overview

Suncor is an integrated energy company headquartered in Calgary, Alberta, Canada. We combine a leading position in oil sands with complementary operations in refining and marketing, offshore oil and gas production in East Coast Canada and internationally. Geographically, Suncor retains significant upstream assets in the Alberta oil sands, east coast Canada offshore, Libya, Norway and the UK – Buzzard, Golden Eagle Area Development and Rosebank. Suncor also owns refineries in Canada and the United States (US) with a significant number of retail sites largely located in Canada. Suncor retains a mature marketing and trading business with operations in Canada, the US and the UK. Suncor strives to be an industry leader in sustainable development and is focused on leadership and industry collaboration in environmental performance, social responsibility and creating a strong economy. The taxes that Suncor UK pays make a significant economic contribution to the UK. Suncor's Sustainability Report is available on its website at www.suncor.com.

Standards of Business Conduct and Operational Excellence

At Suncor the Standards of Business Conduct Code (the Code) and the behaviours of Operational Excellence guide the management and reporting of tax affairs. Suncor's standards for the ethical conduct of our business are set forth in the Code, which applies to Suncor's directors, officers, employees and contract workers who are responsible for ensuring Suncor conducts business legally and ethically. The Code communicates the standard of behavior expected in the following areas:

- Personal and business integrity
- Ethical conduct in the workplace
- Ethical use of company property and information

On an annual basis, every director, officer, employee and contract worker is required to complete the Annual Standards of Business Conduct course which is a summary of Suncor's Standards of Business Conduct, and affirm that they understand and are in compliance with the code. Compliance is reported to the Board of Directors.

Information on the Code and the supporting detailed policy guidance and standards are available on Suncor's website at www.suncor.com.

Operational excellence is a disciplined way of running our business by building a corporate culture focused on using consistent standards and practices with a continuous improvement mindset to ultimately optimize performance across all business units. Operational Discipline means doing the right thing, the right way, every time. Consistent with this approach, the tax group carries out its function using certain key behaviours as a guideline:

- Adhere to procedures
- Collaborate
- Expect accountability
- Seek knowledge and understanding
- Use a questioning attitude to surface problems

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Overall UK Approach to Tax

Suncor UK follows these key principles:

- Maintain strong tax accounting arrangements which are fully compliant with the Senior Accounting Officer (SAO) requirements.
- Be fully compliant by filing accurate tax returns and fulfilling filing and payment obligations within statutory deadlines.
- Optimize tax filings and planning for the benefit of Suncor's business and shareholders by taking reasonable and supportable positions within the statutes and within the spirit of the statutes.
- Access relevant incentives and exemptions provided by fiscal authorities and apply them as they are intended by the fiscal authorities.
- Assess all tax planning not only for financial risk, but also the risk to Suncor's reputation and brand.
- Proactively engage external tax advisors in the conduct of Suncor's tax affairs. Professional advice is sought for all material tax planning in the UK and external advisors are engaged for compliance activity.
- Review all material tax planning with the finance and business units and obtain approval from the UK Boards of Directors to implement.
- Conduct transactions between Suncor group companies on an arms-length basis in accordance with transfer pricing principles.
- Be fully compliant with Suncor's risk management policies and procedures.
- Maintain positive relationships with fiscal authorities.

Governance and Risk Management

The Suncor Standard for Risk Management and Risk Management Policy provide a framework for Suncor's risk management strategy. They are used to guide risk-based decision making across all aspects of Suncor's activities including tax. Suncor is committed to a culture of operational discipline including the proactive, transparent and consistent identification and management of risk. This discipline allows Suncor to balance the demands of risk and opportunity in a structured and systematic way.

Suncor's tax group is part of the central finance function that reports to the Executive Vice President and Chief Financial Officer. The tax strategy is owned by the VP Tax and is applicable to all tax and finance employees. The VP Tax is accountable for ensuring the tax group adheres to Suncor risk management policies and procedures. In addition, the VP Tax is responsible for ensuring the Tax group has the expertise and sufficient internal and external resources to execute the strategy.

Relationship with HMRC

Suncor UK is committed to having an open and transparent relationship with HMRC. This includes participation in the scheduled and recurring business risk reviews by Suncor's senior tax leadership with external advisors and the proactive disclosure of material tax planning to HMRC. Suncor UK's goal is to minimize the disruption to its business from tax disputes and maintain a positive relationship with HMRC. Suncor UK engages its external tax advisors to act as its agents with HMRC and to communicate with HMRC regarding its tax affairs. Suncor UK is an active participant in UK industry groups that provide input into the development of tax policy and complies with legislative reporting of payments made to Governments for extractive industries including the United Kingdom Payments to Government Act and Extractive Industries Transparency Initiative.