



## BOARD OF DIRECTORS HUMAN RESOURCES AND COMPENSATION COMMITTEE MANDATE

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### The Human Resources and Compensation Committee

The by-laws of Suncor Energy Inc. (Suncor) provide that the Board of Directors (Board) may establish Board committees to whom certain duties may be delegated by the Board. The Board has established, among others, the Human Resources and Compensation Committee (HR&CC), and has approved this mandate, which sets out the objectives, constitution, structure, functions and responsibilities of the HR&CC.

### Objectives

The HR&CC assists the Board by:

- reviewing and approving annually the overall corporate goals and objectives of Suncor relevant to the compensation of the President and Chief Executive Officer ("CEO"), and ensuring that the overall goals and objectives of Suncor are supported by an appropriate executive compensation philosophy and pay programs;
- evaluating annually the performance of the CEO against predetermined goals and criteria, and recommending to the Board the total compensation for the CEO in light of their evaluation of the CEO's performance;
- reviewing annually the CEO's: (a) evaluation of the other senior executives' performance; and (b) recommendations for total compensation of the other senior executives';
- reviewing annually the succession planning process and results of the process as it relates to the executive roles; ensuring that a full review of candidates for the CEO and senior executive positions is provided to the Board as described herein to provide for timely and effective continuity of leadership for Suncor;
- overseeing Suncor's executive compensation policies, incentive compensation program design and operation, and compensation practices;
- ensuring executive compensation related reputational risks are understood and considered;

- overseeing any significant compensation, pension and benefit programs for employees generally, considering accounting, tax, design, legal, regulatory environment, risk and pay and performance relationship.

### **Constitution**

The Terms of Reference of Suncor's Board set out requirements for the composition of Board committees, the qualifications for committee membership, and specify that the chair and membership of the committees are determined annually by the Board. The Board will ensure that membership of the HR&CC includes individuals with expertise in Human Resources, Finance, Business Strategy and Executive Compensation. All members of the HR&CC are required to be independent. As required by Suncor's by-laws, unless otherwise determined by resolution of the Board of Directors, a majority of the members of a committee constitute a quorum for meetings of committees, and in all other respects, each committee determines its own rules of procedure. The HR&CC shall review this Mandate annually and recommend any amendments it deems appropriate to the Governance Committee for review and recommendation to the Board for approval.

### **Functions and Responsibilities**

The HR&CC has the following functions and responsibilities:

#### ***Executive Compensation***

- Oversee the development and approval of the executive compensation philosophy and guidelines that support Suncor's overall business strategic objectives;
- Review and recommend to the Board the total executive compensation structure, including the base salary range, annual incentive opportunity, long-term incentive opportunity, perquisites, supplemental benefits including pension, and any employment agreements;
- Review changes in competitiveness of Suncor's executive compensation relative to the defined market and the cost to Suncor of any change in its executive compensation to increase market competitiveness;
- Annually review and approve corporate goals and objectives relevant to CEO compensation, evaluate the CEO's performance in light of those corporate goals and objectives, and make recommendations to the Board with respect to the CEO's compensation level based on this evaluation;

- Annually review and provide input to the recommendations by the CEO regarding the total compensation to be paid each year to his direct reports;
- Review and recommend to the Board the performance goals (including the full performance range, e.g. threshold, target and maximum) for any executive incentive plan, at the start of each plan year or cycle and determine whether performance goals have been achieved at the end of each plan year or plan cycle;
- Review the cost of the executives' total compensation (both cash costs and dilution) under different performance scenarios for alignment with Suncor's business strategies, and test pay for performance linkages for reasonableness;
- Establish stock ownership guidelines and holding requirements for executives' and monitor compliance;
- Review the purpose, level, and value of executive pension plans and employment termination agreements, and recommend changes to the CEO's employment termination agreement for approval by the Board and approve any changes to the other senior executives' agreements;
- Annually review and recommend to the Board, the disclosure of Director and executive compensation for inclusion in Suncor's management proxy circular for the annual general meeting of shareholders;
- Review compensation programs to ensure they do not encourage excessive or inappropriate risk taking.

### ***Succession Planning and Organizational Change***

- Annually review the succession planning process and the succession plans for executive roles including development and career planning for potential executive successors; specifically:
  - Annually, the HR&CC will review the succession planning process and results;
  - Annually, the CEO supported by the Senior Vice President, Human Resources will provide a full review to the Board of candidates for the CEO position and candidates and development plans for Executive Leadership Team positions;
  - When required, the HR&CC will support the selection committee chosen by the Board, to determine the appropriate compensation for the new CEO.

- Review significant changes to the organization's structure as they arise and their impact on the executive roles;

### ***Incentive Compensation Plans and Programs***

- Review and recommend to the Board any new share based plans or significant amendments to existing share based plans including an examination of their cost implications, alignment with strategy and pay-performance linkages; administer (or delegate and oversee the administration of) any share based plans and approve administrative amendments to share based plans;
- Review and approve any material incentive plans and amendments to existing incentive plans; including an examination of their cost and risk implications, alignment with strategy and pay for performance linkages.

### ***Other Matters***

- Review industry, regulatory and compensation governance principles and their possible impact on Suncor's human resources policies and practices and make appropriate amendments;
- Review and make recommendations to the Board on such other matters related to human resource issues that are specifically delegated to the HR&CC by the Board;
- Oversee periodic review of and provide oversight on the specific Suncor Principal Risks which have been delegated to the Committee for oversight.

### ***Engagement of Consultants***

In fulfilling its mandate, the HR&CC will, on behalf of the Board, in accordance with the Board's Policy on retaining outside advisors, retain, instruct and determine the remuneration of consultants engaged to assist in the design and evaluation of CEO or executive compensation.

The HR&CC will assure itself as to the independence of those consultants, and, when circumstances warrant, will terminate their engagement and hire new consultants. Such an evaluation might include an assessment as to the character and expertise of the consultant, the quality of their work, clarity around their mandate and reporting relationship, and an awareness or approval of the financial arrangements of that consulting firm, or its affiliates, with Suncor.

***Reporting to the Board***

The HR&CC shall report to the Board on the activities of the HR&CC with respect to the above matters at each Board meeting and at any other time that is deemed appropriate by the HR&CC or upon request of the Board.

*Approved by resolution of the Board of Directors on November 19, 2013.<sup>1</sup>*

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<sup>1</sup>Previously approved by resolution on November 7, 1996, August 1, 2009, November 12, 2009 and November 7, 2011, November 13, 2012.