

The Ten Principles of the Global Compact

2008 Petro-Canada Communication on Progress

The global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labor standards, the environment and anti-corruption.

Petro-Canada's 8th Annual Report to the Community (<http://www.petro-canada.ca>), provides a review of the company's performance in 2008 in the areas outlined by its Principles for Investment and Operations (<http://www.petro-canada.ca/eng/investor/9337.htm>). The report gathers data in a number of key performance measures and also looks forward to 2009 goals, enabling the public to access the company's ongoing efforts in these areas. The report is also an important part in maintaining an ongoing dialogue with the company's stakeholders, allowing them to assess the company's progress against its principles of responsible conduct.

Petro-Canada's commitment to the Global Compact is expressed its Principles for Investment and Operations, on its website (<http://www.petro-canada.ca>) and the company's implementation of the principles is demonstrated throughout the Report to the Community.

The primary corporate responsibility reporting mechanism is the company web site (www.petro-canada.ca) under the Environment and Society section, which provides detail on the social and environmental commitments and management systems that are in place, as well as additional metrics available for view and download.

Petro-Canada continues to improve the accuracy and completeness of its reporting of sustainability performance to stakeholders. We ask PricewaterhouseCoopers (PwC) to consider the consistency of selected sustainability information contained in this Report to the Community, in relation to other information provided to them, and to provide feedback to management. Petro-Canada uses this feedback and other control mechanisms to improve the quality of its reporting. PwC's services do not constitute an audit, and PwC does not express an opinion or any other form of assurance on the reported information.

An overview of key metrics relating to Petro-Canada's social responsibility and environmental stewardship can be found at <http://www.petro-canada.ca/en/environsociety/4416.aspx>.

Information regarding stakeholder and community relations, human rights and employee relations can be found under Social Responsibility at <http://www.petro-canada.ca/en/environsociety/4404.aspx>. Information relating to environmental stewardship can be found under Environment at <http://www.petro-canada.ca/en/environsociety/4394.aspx>. Information relating to the company's safety, health and security management system and performance are provided at <http://www.petro-canada.ca/en/environsociety/4399.aspx>

Petro-Canada is a member and active participant in several key organizations that advance business leadership in sustainable development including; The Company is a member of the World Business Council for Sustainable Development (WBCSD). Canadian Business for Social Responsibility, a non-profit, business-led organization which has the goal of improving social, environmental and financial performance. Petro-Canada is also a signatory to the United Nations Global Compact. The Company is also a founding member of the Business Leaders' Network at the Boston College Center for Corporate Citizenship. We are an active member of the Canadian Association of Petroleum Producers (CAPP). As a refiner, distributor and marketer of refined products, Petro-Canada is an active member

of the Canadian Petroleum Products Institute (CPPI). Petro-Canada is also active in The International Association of Oil & Gas Producers (OGP). Our membership in the American Petroleum Institute (API) allows us to participate in a number of policy discussions related to our industry. Petro-Canada is also proud to be a constituent of Jantzi Social Index® (JSI®) and to earn JSI's A- rating in 2007.

Links for more information

Participating in Policy Debate: <http://www.petro-canada.ca/en/environsociety/4444.aspx>

Collaboration with others: <http://www.petro-canada.ca/en/environsociety/4448.aspx>

The following is a summary of progress made since 2005 addressing the principles of the UN Global Compact.

Human Rights

Petro-Canada subscribes to the Universal Declaration of Human Rights, committing to support and respect the protection of human rights within our sphere of influence and to not be complicit in human rights abuses.

Upholding our Principles for Responsible Investment and Operation is fundamental to meeting our human rights commitments. This includes operating with integrity and not participating in corrupt business practices, maintaining sound environmental standards and working diligently to prevent any risk to health and safety wherever we operate around the world. Our approach to managing our human rights commitments is to ensure that our human rights commitments are reflected in our employee practices and policies, in our community and stakeholder engagement practices and policies, and in the way that we manage the security of our employees and our facilities.

Operating in politically sensitive jurisdictions can create complex security risks. We must respect human rights and the rule of law in the way that we respond to and manage security risks. In 2005 Petro-Canada implemented corporate-wide Guidelines for Security and the Protection of Human Rights based on the Voluntary Principles of Human Rights and Security (U.S./U.K. 2001). The Guidelines are applied across the company for the use of public or private security services, in either existing operations or entry into new countries. The Guidelines are incorporated into the security management and emergency preparedness element of the company's Total Loss Management ([TLM](#)) standards. In 2007, the Guidelines were incorporated into a security management framework in our international operations. We also have a stakeholder management framework and a social risk assessment tool, which have been used to proactively and systematically identify and mitigate risks and potential impacts with respect to stakeholders. These tools are applicable to our global operations and tie into our TLM program. We successfully utilized these tools during 2008.

We also recognize our obligation for safeguarding our employees, in light of potential security risks to their personal safety in some countries. We use independent country risk assessments to evaluate our risks and develop strategies. Employees, both in-country and visitors, can get immediate access to up-to-date information on all aspects of a region, including political and security-related news and advisories, as well as information on cultural sensitivities.

2008 PROGRESS

- Delivered a training program to enhance capability and depth in our stakeholder engagement program to 134 stakeholder practitioners across the company

- Integrated the stakeholder issue management system into key projects and emergency response plans
- Piloted a World Business Council for Sustainable Development (WBCSD) framework to guide investment proposals for the Libya Sustainable Development Program.
- Solicited focused stakeholder feedback on specific projects
- Extended long-term sponsorships, introduced new community partnerships and deepened existing partnerships
- Assessed current state and best practices for contractor engagement, and identified quick wins
- In 2008, we are not aware of any breaches of policies that relate to our commitments to human rights and have had no reported incidences of human rights abuses

2009 GOALS

- Continue to broaden stakeholder engagement capability across operational roles and with contractors
- Update TLM standards and audit criteria to reflect stakeholder management framework expectations
- Integrate stakeholder engagement practices into our North Africa/Near East development and projects
- Work jointly with the Libya National Oil Corporation (NOC) on identifying projects for the Libya sustainable development program
- Enhance content of key community partnerships, identify synergies and increase stakeholder awareness of initiatives
- Integrate use of social risk assessment process into the project delivery model
- Review and strengthen the Company's human rights management framework

Links:

Environment & Society: <http://www.petro-canada.ca/en/environsociety/4378.aspx>

Human rights: <http://www.petro-canada.ca/en/environsociety/4508.aspx>

Stakeholder Engagement: <http://www.petro-canada.ca/en/environsociety/4500.aspx>

Commitment to Aboriginal Peoples: <http://www.petro-canada.ca/en/environsociety/4504.aspx>

Labor

Our overarching human resource mission is to provide the right people with the right values, at the right place, for the right time to help us deliver on our business strategies and objectives. In 2008, our integrated workforce planning and recruitment strategies helped us to hire 950 new employees, resulting in an 8% increase in our workforce after attrition. As we move into 2009, we are faced with lower commodity prices and resultant slow down in capital spending and project development. We will meet these challenges through balanced decision making to ensure we have right skills, at the right time to continue to deliver our business strategy and objectives.

Petro-Canada strives to provide a healthy, safe and secure work environment for our employees and those working on our behalf. Our employees have broad opportunities for development, the ability to have a positive impact on the business and the satisfaction of working with other capable people who inspire and support them. We honour internationally accepted labour standards prohibiting child labour, forced labour and discrimination of employees. We respect freedom of association and expression in the workplace and we support and respect the protection of human rights within our sphere of influence.

We recognize the value of our diverse workforce and consistently create an environment where all employees, wherever we do business, are treated respectfully and feel valued. Communicating and working effectively across cultures is essential in a growing organization. In support of our policy “Valuing Diversity,” we implemented cross-cultural awareness sessions to help management and staff recognize and appreciate the cultural diversity within our operations. In response to feedback from our employee surveys, we have implemented targeted respectful workplace sessions to better manage working relationships.

Petro-Canada also uses feedback from employee surveys to identify employee perspectives on our diversity performance. We have a formal complaint process for people who feel that they have been discriminated against. To date, we have had very few complaints of this nature.

As at the end of December 2008, Petro-Canada had three women members on its Board of Directors. Four officer level positions were held by women and 41 women were in senior management roles.

As at the end of 2008, 1.3% of the company’s employee workforce was self-declared as Aboriginal, 11% of the employee workforce was self-declared as belonging to other minority groups and 1.6% was self-declared as disabled.

Petro-Canada has increased its international presence over the last several years. Our business model is evolving from being a joint venture partner to operating our investments in Libya, Syria and Trinidad and Tobago. This presents opportunities and challenges. As operator, our sphere of influence in creating an effective cross-cultural workplace is stronger. As our international operations mature, we will be looking to hire and develop the capability of an increased number of local nationals. There are greater responsibilities to uphold our commitments to internationally accepted labour standards and human rights, including those prohibiting child labour, forced labour and discrimination of employees.

In some parts of the workforce, workers desire ‘collective’ representation. We respect the rights of our employee groups to choose to be represented by a bargaining agent. Where employee groups have made that election, we bargain in good faith to reach a collective agreement that balances the needs of the business and leadership with a responsible package of wages and working conditions.

At the end of 2008, approximately 20% of our employees were covered by collective bargaining agreements. Approximately 90% of the Company’s unionized employees are members of the Communications, Energy and Paperworkers Union (CEP), which represents refinery, marketing, gas plant and offshore production workers.

Links:

Our People: <http://www.petro-canada.ca/en/environsociety/4496.aspx>

2008 PROGRESS

- Hired 951 employees and delivered a low voluntary turnover rate of 4.02%, which is much better than industry average.
- Demonstrated continuous improvement in safety management by achieving a Total Recordable Injury Frequency (TRIF) rate of 0.73 in 2008 compared to 0.87 in 2007
- Had a contractor work-related fatality at the Edmonton Refinery Conversion Project in September 2008

- Assessed current state and best practices for contractor engagement, and identified quick wins
- Assessed and developed mitigation plans for social risks related to bringing temporary foreign workers into Oil Sands project camps
- Continued implementation of process safety standards, incorporated process safety criteria into TLM audits and capturing event data
- Established a formal process for reviewing internal and external events and ensuring that learnings reach the front line
- Conducted emergency response exercises in four out of five business groups

2009 GOALS

- Develop enterprise-wide training for front-line supervisors to enhance their ability to execute work safely
- Develop processes, tools and expectations for stronger contractor engagement on safety
- Enhance emergency response advisor capability through increased and standardized training
- Implement new corporate standards for management of change and process safety competency

Environment

Petro-Canada is a fully integrated oil and gas company, with operations ranging from oil and gas exploration and production through to refining and specialty products production, and service stations and car washes. This wide range means that our environmental footprint is significant. That's why understanding the interaction between our operations and the environment, as well as integrating environmental stewardship into our projects and business operations is a key focus.

Our Principles for Responsible Investment and Operations guide our approach to the environment. We conduct our activities consistent with sound environmental management and conservation practices, and strive to reduce the environmental impact of our operations while continuing to be competitive. We recognize that, as a growing company, we face many environmental challenges. We believe our people and management systems position us well to deliver on our commitment to reduce our environmental footprint, as much as reasonably practicable. A more specific set of standards is outlined in our Total Loss Management (TLM) system to guide project development, operations and decommissioning.

We are well on our way to implementing a comprehensive Environmental Information Management System (EIMS). We launched the air module in 2008 and are leveraging it for current reporting of both air pollutants and greenhouse gas (GHGs) emissions. In 2009, our EIMS focus will be on designing and implementing the water module in support of our Petro-Canada Water Principles. We have also created several environmental Communities of Practice which are networks of company subject matter experts across all business units. They enable the development of corporate wide sharing of best practices as well as the development of aligned environmental systems.

Links:

Environment: <http://www.petro-canada.ca/en/environsociety/4394.aspx>

Total Loss Management: <http://www.petro-canada.ca/en/environsociety/4576.aspx>

Life-Cycle Value Assessment (LCVA) is a business analysis and decision-making methodology that reviews social, environmental and economic information as it pertains to the full life-cycle of a project or product. LCVA is a key decision-making tool for integrating and balancing the social, environmental and economic factors inherent in our projects.

LCVA is based on the premise that good information enables better decisions. Through this process, new ideas and opportunities emerge which may result in project improvements such as enhanced technical design, reduced environmental impact and increased efficiency.

LCVA at Petro-Canada: <http://www.petro-canada.ca/en/environsociety/4564.aspx>

Petro-Canada produces over 350 innovative lubricants, specialty fluids and greases. The majority of our products are sold outside of Canada, through a wide network of distributors in over 60 countries. Petro-Canada produces numerous products that mitigate environmental impacts that could result from the use of traditional products. We are proud of our leading edge research and development and the resulting products. The recently launched EcoSia line of environmentally responsible lubricant products represents those products that deliver performance benefits, while helping to reduce impacts on the environment. The product offering spans a diverse range of applications and customer segments, including, but not limited to, lubricants and fluids for forestry, agriculture, drilling, mining, construction and general manufacturing. The EcoSia lineup includes products from many of Petro-Canada's existing brands, including, but not limited to, ENVIRON™ hydraulic fluids, PUREDRILL™ drilling mud base fluids, CALFLO™ specialty heat transfer fluids, select PURITY™ FG food grade lubricants, select COMPRO™ compressor fluids, select PETROGLIDE™ saw guide oils, and LUMINOL™ electrical insulating fluids.

Environmentally Responsible Products: <http://www.petro-canada.ca/en/environsociety/4468.aspx>

Products and Services: <http://www.petro-canada.ca/en/productsandservices/83.aspx>

2008 PROGRESS

- Advanced water management plans through water risk assessments based on Water Principles
- Strengthened resources and capability in managing carbon mitigation opportunities but made limited progress on greenhouse gas performance measures
- Participated in Alberta provincial carbon market and complied with Alberta regulations for verified emissions reporting
- Improved functionality of first phase of the Environmental Information Management System (EIMS)
- Created program content and materials for major water partnerships
- Experienced 43 environmental regulatory exceedances, compared with 21 in 2007
- Carried out Environmental Impact Assessments (EIA) supporting exploration and development projects in Syria, Libya and Morocco

2009 GOALS

- Reinforce senior management focus on environmental regulatory exceedances and adopt best practices in prevention
- Develop and integrate relevant water measurement and reporting functionality into next phase of the EIMS
- Pursue viable opportunities to purchase carbon credits
- Participate in WBCSD protocol development to better understand Petro-Canada's broader GHG emissions footprint
- Initiate work on development of Ecosystem Principles
- Build strength in water partnerships and promote publicly

Our Report to the Community and environment section on our web site outlines our progress in implementing Global Compact Principles 7, 8 and 9. The report details a number of areas in which we have made progress or initiated projects that have reduced our environmental impact and footprint.

Air Pollution

Petro-Canada makes every effort to report the quantity of air releases of identified substances. We refer to these as Primary Air Pollutants (PAP), and they include: total volatile organic compounds (VOCs), carbon monoxide (CO), Oxides of Nitrogen (NO_x), sulphur dioxide (SO₂) and total particulate matter (TPM) under 100 microns (µm). In 2008, the total volume of the five PAPs was 54 kilotonnes, compared with a total volume of 52.7 kilotonnes in 2007. The overall increase in primary air pollutants emissions for 2008 is primarily attributed to the significant start-up activities at the Edmonton Refinery following the completion of the Refinery Conversion Project during 2008 and a general increase in the sulphur content of the crude feed at the Edmonton Refinery. For more detailed information, please go to: <http://www.petro-canada.ca/en/environsociety/4456.aspx>

Climate Change and Greenhouse Gas

Climate change is a serious global issue that affects everyone, industry and consumers alike. It is one of the most challenging environmental issues that's impacting Petro-Canada today and will continue to in the foreseeable future. Petro-Canada is not only concerned, we are also affected. Climate change is a complex issue that requires integrated solutions. Ultimately those solutions must find the balance between energy, the environment and the economy. With a strong track record of success, a commitment to succeed and the resources to back it up, we feel that we're well positioned to find that balance.

Petro-Canada creates value by responsibly developing energy resources and providing world class petroleum products. We emit GHGs primarily through fuel combustion at our production facilities. Through Petro-Canada's Climate Change Executive Steering Committee and Climate Change Working Group, we have created a strategy to balance the needs of the environment, economic interests and the energy needs of our customers. We realize there is much more to do, but know that worthwhile sustainable changes take time to implement properly. We believe it is possible to have an approach to climate change that improves environmental quality, while enabling us to remain globally competitive. The solutions are complex and global. They rely on a realistic discussion of the costs, the technology solutions and the time to make ideas into realities.

Our total GHG emissions from all operations decreased by approximately 12% in 2008 over 2007, from 7,028 kilotonnes in 2007 to 6,048 kilotonnes in 2008. This decrease was primarily due to a corresponding decrease in production from facilities in North America Natural Gas, three offshore facilities, as well as our Downstream facilities. For a more detailed breakdown of greenhouse gas emissions, please go to <http://www.petro-canada.ca/en/environsociety/4592.aspx>

Water Management

Our business units have a strong track record in adopting innovative approaches to the design and operation of our facilities in order to optimize water use and wastewater discharge through recycling and treatment technologies. We work to protect the water quality in the communities and ecosystems where we operate.

Petro-Canada has a set of water principles that enable us to appropriately manage our water footprint. In 2009, Petro-Canada will pursue the second phase of our Environmental Information Management

System (EIMS), focusing on water stewardship, management and metrics. With this new system, we anticipate enhanced collection, management and stewardship of water-related information across our businesses. This, together with our Water Principles, will continue to improve the management of our water footprint including operational practices.

For more on our water principles visit <http://www.petro-canada.ca/en/environsociety/4600.aspx>

A key part of our success is a collaborative approach to water solutions. We engage with the local community and other industries to promote responsible watershed management and look for opportunities to participate in local community initiatives related to clean water and sanitation. In 2009, with an investment of nearly \$2 million, Petro-Canada is launching three new water partnerships created jointly with Canadian Parks and Wilderness Society, Centre for Affordable Water and Sanitation Technology, and Alberta Ecotrust Foundation. These programs have been developed to cover the age spectrum of individuals who can make a positive difference toward healthy water ecosystems for the future.

For more information on Petro-Canada's water-related community partnership programs visit Collaborating on Water page of our web-site at <http://www.petro-canada.ca/en/environsociety/4604.aspx>

As a member of the World Business Council for Sustainable Development (WBCSD), Petro-Canada has been an active participant on a team with a number of leading global companies. The team has developed the Global Water Tool, which allows companies to identify, prioritize and manage their global risks related to water acquisition, use and disposal. The Global Water Tool uses global water datasets from select, credible, non-commercial organizations and company-specific water metrics and Global Reporting Initiative indicators to map water uses and risks relative to water availability in global operations and supply chains. This ongoing project also provides a valuable opportunity to learn from and benchmark our activity against leading global companies across many industries.

Anti-Corruption

Petro-Canada's commitment to integrity and ethics is the foundation for our Code of Business Conduct and the other Company policies that reinforce it. We continuously strive to act in full compliance with both the letter and spirit of legislative and regulatory requirements of the countries in which we operate.

Petro-Canada's Code of Conduct (The Code) sets out the basic rules, standards and behaviours that allow Petro-Canada to maintain the confidence of our customers, colleagues, shareholders, vendors, and the communities and governments where we do business internationally. The Code does not provide exhaustive information about every single Petro-Canada policy or standard: employees are responsible for seeking out and understanding the details of those Company policies relevant to their own role, work area and geographic location. The Code affirms the basic requirements for our business and the general behaviour expected of employees. It provides practical advice about how to proceed or act in a particular situation.

Every director and employee of Petro-Canada must understand and follow the Code of Business Conduct. Compliance with the terms of the Code is a requirement of office or employment with Petro-Canada and a failure to do so may result in serious consequences, including termination of employment with Petro-Canada. Contract staff must also comply with the Code. Contractors or consultants who are acting as Petro-Canada's agents or are working on the Company's behalf or in its

name through outsourcing of services, processes or any business activity, are required to act consistently with the Code when acting on behalf of Petro-Canada.

The Code was updated in early 2008 to incorporate more current ethical issues. It is based on our Principles for Responsible Investment and Operations and provides guidance on broader ethical issues such as gifts, entertainment, conflicts of interest, intellectual property, use of Company assets, accounting and financial reporting, health, safety and the environment. The Code also outlines our commitment to comply with applicable legislation on such issues as bribery, corruption, privacy and competitive practices. We let people know where to get more detailed information on legal compliance and who to contact with questions.

Annually officers of the Company sign an assertion that they are not aware of any breaches of the code. Each employee and all contract personnel are required to read and undertake to comply with our Code when they join the Company. Every two years, all employees and contracted employees are required to repeat this process. In late 2008, an interactive, web-based training module was developed and delivered to all employees and contract employees to strengthen their understanding of the Code. As at year end, the training had been completed by 4,419 employees and 408 contract personnel, with a target to complete training for all employees and contractors by mid-2009.

Policy for the Prevention of Improper Payments

Corruption is an obstacle to sustainable economic activity; it hinders the development of fair market structures and distorts competition. More importantly, participation in corrupt business practices undermines citizens' trust in the political and business system, in its institutions and in its leadership. As a good corporate citizen, Petro-Canada strives to act transparently and in the best interests of the communities where we operate.

Petro-Canada's position on bribery and corruption is clear. No employee, agent or contractor of Petro-Canada must ever offer or accept a bribe. More specifically, the direct or indirect offer, payment, soliciting or acceptance of bribes in any form (including a kickback, facilitating payment or favour) is unacceptable and contrary to Petro-Canada's Policy for the Prevention of Improper Payments (PPIP), as well as applicable local and foreign laws.

The ethical and legal requirements in these situations are complex and can be somewhat delicate and to help employees understand their obligations relating to the PPIP and similar legislation, the Company's chief compliance officer held group workshop style training for more than 400 employees, contractors and agents in higher risk areas in both our international operations and some Canadian operations throughout 2008. During 2009, web-based training will be deployed to designated employees and contract personnel. Also during 2009, we will conduct an internal audit on the processes and controls in place related to the Policy for the Prevention of Improper Payments. The results of the audit will serve to prioritize our efforts to strengthen our compliance program.

Links:

Our Ethical Standards and Code of Business Conduct:

<http://www.petro-canada.ca/en/environsociety/4436.aspx>

2008 PROGRESS

- Updated the Code of Business Conduct
- Interactive web-based training completed by 4,419 employees and 408 contractors

- Delivered workshop-style anti-corruption training at nine Company locations, for both employees and contractors
- Implemented a new employee orientation process, integrating TLM and Zero-Harm to reduce the risk of loss or injury and impress on employees the importance we place on safety.
- Conducted online TLM training modules in four priority elements for 4,869 employees
- Developed online training to strengthen risk assessment capability

2009 GOALS

- Update Policy for the Prevention of Improper Payments
- Introduce interactive web-based training on the Policy for the Prevention of Improper Payments
- Review and update the Company's antitrust and fair competition compliance program
- Integrate risk assessment methodology into all TLM processes, including the event management system