Risk Factors Comparison 2024-02-28 to 2023-02-22 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

Imperial' s financial and operating results are subject to a variety of risks inherent in oil, gas and petrochemical businesses, and the pursuit of lower- emission business opportunities. Many of these risk factors are not within Imperial' s control and could adversely affect Imperial' s business, financial and operating results, or financial position. These risk factors include: Supply and demand The oil, gas, fuels and petrochemical businesses are fundamentally commodity businesses. This means the company' s operations and earnings may be significantly affected by changes in oil, natural gas and petrochemical prices, and by changes in margins on refined products and petrochemicals. Crude oil, natural gas, petrochemical and petroleum product prices and margins depend on local, regional, and global events or conditions that affect supply and demand for the relevant commodity or product. Commodity prices have been volatile, and the company expects that volatility to continue. Any material decline in crude oil prices could have a material adverse effect on ~~Imperial~~ **the company** ' s Upstream operations, financial position, proved reserves and the amount spent to develop reserves. On the other hand, a material increase in crude oil prices could have a material adverse effect on ~~Imperial'~~ **the company'** s Downstream margins, depending on the market conditions for refined products. The company' s pursuit of lower- emission business opportunities including carbon capture and storage, hydrogen, and lower- emission fuels also depends on the growth and development of markets for those products and services, including implementation of supportive government policies and developments in technology to enable those products and services to be provided on a cost- effective basis at commercial scale. See" Climate change, energy transition and greenhouse gas restrictions" in this Item 1A. The company may also be impacted by changes in other commodities the company utilizes, such as prices and availability of feedstocks for lower- emission fuels including renewable diesel. Economic conditions The demand for energy and petrochemicals is generally linked closely with broad- based economic activities and levels of prosperity. The occurrence of recessions or other periods of low or negative economic growth will typically have a direct adverse impact on the company' s results. Other factors that affect general economic conditions such as changes in population growth rates, government regulation or austerity programs, trade tariffs or broader breakdowns in global trade, security or public health issues and responses, the inability to access debt markets due to rating, banking, or legal constraints, liquidity crises, other events or conditions that impair the functioning of financial markets and institutions also pose risks to ~~Imperial~~ **the company** . Other demand- related factors Factors that may affect the demand for crude oil, gas, fuels and petrochemicals, and therefore could impact ~~Imperial~~ **the company** ' s results include technological improvements in energy efficiency; seasonal weather patterns, which affect the demand for ~~our~~ **the company' s** products, including lower demand for gasoline, impacting Downstream results in the winter; increased competitiveness of, or government policy support for, alternative energy sources; new product quality regulations; technological changes or consumer preferences that alter fuel choices, such as technological advances in energy storage **or other critical areas** that make wind ~~and~~ **,** solar **, hydrogen, nuclear or other alternatives** more competitive for power generation; changes in consumer preferences for the company' s products, including consumer demand for alternative fueled or electric transportation or alternatives to plastic products; broad- based changes in personal income levels, interest rates and inflation; and security or public health issues and responses such as epidemics and pandemics. See also ~~“~~ **"** Climate change, energy transition and greenhouse gas restrictions ~~”~~ **"** below. Other supply- related factors Commodity prices and margins also vary depending on a number of factors affecting supply. For example, increased supply from the development of new oil and gas supply sources and technologies to enhance recovery from existing sources tends to reduce commodity prices to the extent such supply increases are not offset by commensurate growth in demand. Similarly, increases in industry refining or petrochemical manufacturing capacity relative to demand tend to reduce margins on affected products. Crude oil, gas and petrochemical supply levels can also be affected by factors that reduce available supplies, such as the level of and adherence by participating countries or others to production quotas established by OPEC or ~~“~~ **"** OPEC ~~”~~ **"** and other agreements among sovereigns ~~,~~ **;** government policies that restrict oil and gas production or **exports, or** increase associated costs, including actions intended to reduce greenhouse gas emissions and previous Government of Alberta curtailment regulations ~~,~~ **;** the occurrence of wars ~~,~~ **or** hostile actions, **including disruption of land or sea transportation routes;** natural disasters ~~,~~ **;** trade tariffs or broader breakdowns in global trade ~~,~~ **;** disruptions in competitors' operations ~~, or~~ **; and** unexpected pipeline or rail constraints that may disrupt and have in the past disrupted supplies. For example, Russia' s military action in Ukraine has impacted global crude oil and gas supply levels and prices, and continues to contribute to a volatile commodity environment, the duration of which is uncertain. Technological change can also alter the relative costs for competitors to find, produce, and refine oil and gas and to manufacture petrochemicals. Canadian- specific market factors The market price for western Canadian heavy crude oil is typically lower than light and medium grades of oil, principally due to the higher transportation and refining costs. Western Canadian crude oil may also be subject to limits on transportation capacity to markets. Future crude price differentials between western Canadian crude oil relative to prices in the U. S. Gulf Coast are uncertain and changes in the heavy or light crude oil differentials could have a material adverse effect on the company' s business. **In the past,** ~~Increased~~ **increased** differentials ~~,~~ have ~~in the past,~~ led the Government of Alberta to enact temporary mandatory production curtailment regulations that imposed production limits on large producers in Alberta such as Imperial. Although the regulatory authority to impose curtailments was repealed at the end of 2021, the use of similar curtailment regulations in the future could have an adverse effect on the company' s business. A significant portion of the company' s production is bitumen, which is blended with diluent for transportation and marketability of heavy crude oil. Increases to diluent prices, relative to heavy crude oil prices, could also have an adverse effect on the company' s business. Other market factors Market factors may also result in losses from commodity derivatives and other

instruments used to hedge price exposures or for trading purposes. Imperial' s future business results, including cash flows and financing needs, ~~will~~ **may** also be affected by the **occurrence, severity, pace and** rate of recovery ~~from the COVID- 19 pandemic, as well as the occurrence and severity~~ of future ~~outbreaks~~ **public health epidemics or pandemics** , the responsive actions taken by governments and others, and the resulting effects on regional and global markets and economies. If the company' s mitigation and response efforts prove insufficient, then large outbreaks of epidemics, pandemics or other health crises ~~such as COVID- 19~~ at operating sites, particularly in remote locations and where work camps are utilized, could materially impact the company' s personnel and its operations, reducing productivity and increasing costs. Government and political factors Imperial' s results can be adversely impacted by political, legal or regulatory developments affecting operations and markets. Changes in government policy or regulations, changes in law or interpretation of settled law, challenges to legislative jurisdiction between different levels of government, third- party opposition to company or infrastructure projects, and duration of regulatory reviews could impact ~~Imperial~~ **the company** ' s existing operations and planned projects. This includes actions by policy ~~-~~makers, regulators or other actors to delay or deny necessary licences and permits, **or** restrict the availability of oil and gas leases or the operation of third- party infrastructure that the company relies on, such as pipelines to transport the company' s upstream production to market or that supply feedstock to the company' s refineries. Additionally, changes in environmental regulations, assessment processes or other laws ~~and increasing and expanding stakeholder consultation~~ (including **but not limited to in respect of climate change and greenhouse gas emissions), regulatory interpretations that exclude or disfavour the company' s products under government policies or programs intended to support new or developing markets or technologies or that are otherwise not technology- neutral, and increasing and expanding consultation with stakeholders and** Indigenous **communities** ~~stakeholders)~~ , may increase the cost of compliance or reduce or delay available business opportunities and adversely impact the company' s results. Other government and political factors that could adversely affect the company' s financial results include increases in taxes or government royalty rates (including retroactive claims **or punitive taxes on oil, gas and petrochemical operations**) and changes in trade policies and agreements. Changes in taxation policy, such as the Government of Canada **' s proposed** ~~announcement in 2022 of a~~ tax on ~~share buybacks~~ **repurchases of equity effective from January 1, 2024** , could impact the company' s **financial** results and ability to return surplus cash to shareholders. Further, the adoption of regulations mandating efficiency standards, and the use of alternative fuels or uncompetitive fuel components could affect the company' s operations. Many governments are providing tax advantages and other subsidies to support alternative energy sources or are mandating the use of specific fuels or technologies. Governments are also introducing bans on certain technologies that could impact demand for products, such as the Government of Canada' s ~~intention~~ **regulations** to ~~ban~~ **gradually reduce** the **proportion of permitted** ~~sale~~ **sales** of new internal combustion engine cars and light trucks **from 2026- 2034 and ban such sales** beginning in 2035. Governments and others are also promoting research into new technologies to reduce the cost and increase the scalability of alternative energy sources, and the success of these initiatives may decrease demand for the company' s products. Actions by policy makers, regulators or others may require changes in the company' s business or strategy that could result in reduced returns. Governments may establish regulations with respect to the control of the company' s production, such as the Government of Alberta' s temporary mandatory production curtailment regulations that were in effect from 2019 through 2021, as discussed in the ~~“~~ **"** Supply and demand ~~”~~ **"** section above. Government intervention in free markets may introduce unintended consequences such as market volatility and uncertainty, misallocation of resources, and erosion of investor confidence. Environmental risks All phases of the Upstream, Downstream and Chemical businesses are subject to environmental regulation pursuant to a variety of Canadian federal, provincial, territorial and municipal laws and regulations, as well as international conventions (collectively, ~~“~~ **"** environmental legislation ~~”~~ **"**). Environmental legislation imposes, among other things, restrictions, liabilities and obligations in connection with the generation, handling, storage, transportation, treatment and disposal of hazardous substances and waste and in connection with spills, releases and emissions of various substances into the environment. As well, environmental regulations are imposed on the qualities and compositions of the products sold and imported, and include those aimed at reducing consumption or addressing environmental concerns with certain end products. Changes to these requirements could adversely affect the company' s results by impacting commodity prices, increasing costs and reducing revenues. Environmental legislation also requires that wells, facility sites and other properties associated with the company' s operations be operated, maintained, monitored, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. This includes the requirement for specific approvals for many areas of interaction with the environment, such as land use, air quality, water use, biodiversity protection and waste, including mine tailings management. The failure to operate as anticipated and adhere to conditions, the delay or denial of approvals and changes to conditions or regulations could impact the company' s ability to operate its projects and facilities and adversely affect the company' s results. Regulation of air, water and land The implementation of, and compliance with, policies and regulations related to air, water and land, such as Alberta' s Lower Athabasca Regional Plan and Wetland Policy applicable to the company' s oil sands assets, could restrict development in current and future areas of operation **. Of note, the first of two court cases brought against the government by Indigenous groups regarding the assessment of cumulative impacts and infringement on exercise of treaty rights in Alberta is scheduled to be heard in 2024. These cases may inform future government decisions and policies regarding land use planning and resource development, and could impact the requirements or willingness to grant regulatory licenses or approvals** . The company also depends on water obtained under licences for withdrawal, storage, reuse and discharge in both its Upstream and Downstream businesses, including future projects and expansions. Water use may be limited by regulatory requirements, seasonal fluctuations, **regional drought,** competing demands, environmental sensitivities, increasingly stringent water management standards, and changes to conditions or availability of licences, which may restrict and adversely affect the company' s operations. Additionally, a number of air quality regulations and frameworks are being developed ~~and~~ **or have been** implemented at the federal and provincial levels, including sulphur dioxide limits for refineries in Ontario, and could impact existing and planned operations and projects through

increased capital and operating expenses including retrofits to existing equipment, and could adversely impact the company' s operations and financial results. Regulation of wildlife Federal and provincial legislation aimed at protecting sensitive, threatened or endangered wildlife, such as woodland caribou and species of migratory birds, may also increase restoration and offset costs and impact the company' s projects. If it is determined that such wildlife and their habitat are not sufficiently protected, governments or other parties may take actions to limit the pace or ability to develop in areas of Imperial' s current and future projects. Regulation of oil sands The company' s mining operations are subject to tailings management regulations that establish approval, monitoring, reporting and performance criteria for tailings ponds and management plans **. A failure or perceived failure to satisfy the requirements or if the company' s tailings management operations do not operate in the manner anticipated by the company or third parties such as the events relating to the environmental protection order at the company' s Kearl operations in 2023 could impact the company' s ability to operate its assets, and such impact could be material** . Further, the absence or evolving nature of policies and regulations for the timing and closure of tailings ponds, including the approved technologies and methods for closure (such as the use of end pit lakes and water capped tailings), and dam safety directives, regulations, guides and abandonment requirements could have a material impact on conditions for approvals and ultimate mine closure costs. Additionally, successful management and closure requires the release of water to the environment, and although an Alberta water release policy and federal oil sands effluent regulations are being developed, the timing and impact of these regulations is uncertain and the absence of effective regulation could negatively impact the company' s operations and financial results. Environmental assessments In addition, certain types of operations, including exploration and development projects and significant changes to certain existing projects, may require the submission and approval of environmental impact assessments. The Government of Canada' s environmental assessment framework under the Impact Assessment Act expands assessment considerations beyond the environment to include social, health, economic, and gender- based impacts and the impact on Canada' s climate change commitments (including a requirement under the Strategic Assessment for Climate Change to provide a credible plan for the project to deliver net- zero greenhouse gas emissions by 2050). It also includes a reliance on strategic and regional assessments and adjusted regulatory review timelines. **In October 2023, the Supreme Court of Canada ruled that the new federal assessment scheme was unconstitutional in part. Legislative and regulatory amendments have yet to be made to address this decision.** The impact of this legislation **and its expected amendments** is not fully apparent, but it may impact the cost, manner, duration and ability to advance large energy projects and project expansions. Compliance costs Compliance with environmental legislation can require significant expenditures and failure to comply with environmental legislation may result in the cessation of operations, imposition of fines and penalties, and liability for clean- up costs and damages. The costs of complying with environmental legislation in the future could have a material adverse effect on the company' s financial condition or results of operations. The company anticipates that changes in environmental legislation may require, among other things, reductions in emissions from its operations to the air and water and may result in increased capital expenditures. Changes in environmental legislation (including, but not limited to, application of regulations related to air, water, land, biodiversity and waste, such as mine tailings and the production or use of new or recycled plastics) may increase the cost of **operation or** compliance or reduce or delay available business opportunities. Future changes in environmental legislation and the enforcement of regulations could occur and result in stricter standards and enforcement, larger fines, penalties and liability, and increased capital expenditures and operating costs, which could have a material adverse effect on the company' s financial condition or results of operations. Risk Management There are operational risks inherent in oil and gas exploration and production activities, as well as the potential to incur substantial financial liabilities, if the company does not manage those risks effectively. Environmental hazards **and risks,** including severe weather **, drought, forest fires and geological** events **,** may impact the company' s operational performance **. For example** , ~~such as~~ **the company' s oil sands operations were particularly affected by** extreme cold weather ~~that makes mining operations more difficult~~ **in 2022 and wildfires in 2016** . The ability to insure risks is limited by the capacity of the applicable insurance markets, which may not be sufficient to cover the likely cost of a major adverse operating event. Accordingly, the company' s primary focus is on prevention, including through its rigorous operations integrity management system. The company' s future results will depend on the continued effectiveness of these efforts. Net- zero scenarios Driven by concern over the risks of climate change, the provinces and the Government of Canada have adopted or have revised regulatory frameworks to reduce greenhouse gas emissions including emissions from the production and use of oil and gas ~~,~~ and their products **as well as the use or support for different emission- reduction technologies** . These actions are being taken both independently by national and regional governments and within the framework of United Nations Conference of the Parties' summits under which Canada has endorsed objectives to reduce the atmospheric concentration of **carbon dioxide (** CO_2 **)** over the coming decades, with an ambition ultimately to achieve ~~“~~ **"** net zero ~~”~~ **"** . Net zero means that emissions of greenhouse gases from human activities would be balanced by actions that remove such gases from the atmosphere. Expectations for transition of the world' s energy system to lower- emission sources, and ultimately net zero, derive from hypothetical scenarios that reflect many assumptions about the future and reflect substantial uncertainties. The company' s actions with respect to the energy transition, including its announced goal, ultimately, to achieve company- wide net- zero emissions (Scope 1 and 2) from its operated assets **with continued technology development and policy support** , carries risks that the transition, including underlying technologies, policies, and markets as discussed in more detail below, will not **be available or** develop at the pace or in the manner estimated by current net- zero scenarios. The success of Imperial' s strategy for the energy transition will also depend on its ability to recognize key signposts of ~~change~~ **changes** in the global energy system on a timely basis, and the corresponding ability to direct investment to the technologies and businesses, at the appropriate stage of development, to best capitalize on the company' s competitive strengths **. Imperial' s results may be impacted if the implementation pace and uncertainty of policy reduces the global competitiveness of the Canadian oil and gas industry and the company' s crude oil and refined products** . Greenhouse gas restrictions Government actions intended to reduce greenhouse gas emissions include adoption of carbon emissions pricing, cap

and trade regimes, carbon taxes, emissions limits, increased mileage and other efficiency standards, low carbon fuels standards, mandates for sales of electrical vehicles and incentives or mandates for renewable energy. The Government of Canada has updated its nationally determined contribution (NDC) under the Paris Agreement on climate change, to reduce greenhouse gas emissions economy- wide by 40 to 45 percent below 2005 levels by 2030, a substantial increase in ambition beyond its original NDC. To implement these goals, the Government of Canada uses a number of policy tools including the Greenhouse Gas Pollution Pricing Act (GGPPA), which sets a federal backstop carbon price Canada- wide through a carbon levy applied to fossil fuels ($ 50 per tonne CO2 equivalent emissions starting in 2022 and increasing by $ 15 per tonne annually to $ 170 per tonne in 2030), and an output- based pricing system for large industrial emitters. Under the GGPPA, provinces are required to either adopt the GGPPA, or obtain equivalency by adopting a price- based system (with a minimum of the federal carbon pricing) or a cap and trade system. Further, in 2021 the Government of Canada enacted legislation to formalize Canada' s target to achieve net- zero emissions by 2050 and establish interim emissions reductions targets at five year intervals. Under the Canadian Net- Zero Emissions Accountability Act, the Government of Canada is required to develop an emissions reduction plan for 2030 consistent with achieving net- zero emissions by 2050. The Government of Alberta obtained federal equivalency for its Technology Innovation and Emissions Reduction Regulation (TIER) that came into effect in 2020 and applies to facilities with CO2 emissions in excess of 100, 000 tonnes per year. TIER is designed to reduce emissions by putting a price on nominally 10 percent of a facility' s emissions in 2020. This **percentage of** ~~price~~ **priced emissions** increased **nominally** to 11 percent in 2021 and 12 percent in 2022, with the oil sands mining and upgrading facilities increasing to 17 percent in 2021 and 18 percent in 2022 **.** ~~, and these~~ **These** percentages ~~are anticipated to~~ increase by 2 percent per year **for** ~~starting in~~ 2023 **to 2028 (inclusive)** . followed by an increase of 4 percent in 2029 and 2030 for the oil sands sector. Further, the Alberta Oil Sands Emissions Limit Act sets a limit of 100 megatonnes of CO2 per year of emissions in the oil sands sector, but oil sands emissions remain below the limit and it is not yet possible to predict the impact of this act on the company' s future oil sands operations in Alberta. With respect to other provinces, Ontario obtained federal equivalency for its Emissions Performance System, which ~~puts~~ **put** a price on 8 percent of a facility' s emissions ~~, increasing~~ **in 2022. The price increased** by 2. 4 percent in 2023 ~~followed~~ **and will increase** by 1. 5 percent **per year starting** in 2024. British Columbia has carbon pricing in place for all **industrial** emissions, with pricing **that matches** ~~expected to meet or exceed~~ the federal carbon pricing schedule ~~in~~ **since** ~~2023~~ **2022** . Increases in carbon pricing could adversely impact the company' s operations and financial results unless the company can adapt its operations through technological innovation and investment in a cost- effective manner or meet compliance through offset credits or other mechanisms. There are also various low carbon fuel standards being developed or already applicable to the company' s products. In 2022, the Government of Canada finalized ~~draft regulations for~~ the Clean Fuel Regulations, which ~~will~~ require the reduction in carbon intensity of liquid transportation fuels supplied in Canada starting in July 2023. The regulations ~~build upon the existing federal renewable fuels regulations that~~ require fuel **suppliers** ~~producers and importers~~ to ~~have a specified amount~~ **reduce the carbon intensity** of ~~renewable~~ **gasoline and diesel by reducing the GHG emissions within the fossil** fuel **life cycle, blending** in ~~gasoline and diesel~~ **low carbon intensity renewables or fuel switching away from fossil fuels** . Similarly, British Columbia introduced a Low Carbon Fuel Standard in 2013, which increased to a 10 percent carbon intensity reduction requirement in 2020. Beginning in 2023, the British Columbia government has further increased the carbon intensity reductions to a total of 30 percent by 2030 (compared to the 2010 baseline). Compliance can be achieved by either blending renewable fuels with low carbon intensity or by purchasing credits. The Government of Canada' s Impact Assessment Act links environmental assessment approvals to climate change- related goals, and has also discussed a goal of establishing legally- binding policies for being carbon- neutral by 2050. Changes and policies related to this act could adversely impact the company' s ability to progress new oil sands projects. **Uncertainty exists regarding federal overreach into provincial jurisdiction to implement such changes and policies. In October 2023, the Supreme Court of Canada ruled that the Impact Assessment Act was unconstitutional in part. Legislative and regulatory amendments have yet to be made to address this decision, and the impact of this legislation and its expected amendments is not fully apparent.** International accords and underlying regional and national regulations covering climate change and greenhouse gas emissions continue to evolve with uncertain timing and outcome, making it difficult to predict their business impact. Such laws and policies could make Imperial' s products more expensive and less competitive, reduce or delay available business opportunities, reduce demand for hydrocarbons, and shift hydrocarbon demand toward lower greenhouse gas emission energy sources. Current and pending greenhouse gas regulations or policies may also increase compliance and abatement costs including taxes and levies, increase abandonment and reclamation obligations and impact decommissioning timelines, lengthen project evaluation and implementation times, impact reserves evaluations and affect operations. Increased costs may not be recoverable in the market place, could negatively affect ~~our~~ **the company' s** returns and could reduce the global competitiveness of the company' s crude oil, natural gas and refined products. Governments may also impose restrictions on production of, or emissions from, oil and gas to the extent they view such measures as a viable approach for pursuing national and global energy and climate policies. For example, **in December 2023,** the Government of Canada ~~announced its intention~~ **published a regulatory framework** to pursue a cap on greenhouse gas ~~emission~~ **emissions** from **upstream** oil and gas activities by 2030. Concern over the risks of climate change may lead governments to make laws applicable to the energy industry progressively more stringent over time. Political and other actors and their agents are also increasingly seeking to advance climate change objectives indirectly, such as by seeking to reduce the availability or increase the cost of financing and investment in the oil and gas sector **. These actions include delaying or blocking needed infrastructure, utilizing shareholder governance mechanisms against companies or their shareholders or financial institutions in an effort to deter investments in oil and gas activities,** and taking **other** actions intended to promote changes in business strategy for oil and gas companies. Technology and lower- emission solutions Achieving societal ambitions to reduce greenhouse gas emissions and ultimately achieve net- zero will require new technologies to reduce the cost and increase the scalability of alternative energy sources as well as technologies such as ~~carbon~~ **Carbon**

~~capture~~ **Capture** and ~~storage~~ **Storage** (CCS). CCS technologies, focused initially on capturing and sequestering CO2 emissions from high- intensity industrial activities, can assist in meeting society' s objective to mitigate atmospheric greenhouse gas levels while also helping ensure the availability of the reliable and affordable energy the world requires. The company' s future results and ability to succeed through the energy transition while helping meet Canada' s emission- reduction goals and meet its own net- zero and emission reduction goals will depend in part on the success of these research and collaboration efforts. It will also rely on the company' s ability to adapt and apply the strengths of its current business model to providing the energy products of the future in a cost- competitive manner. Policy and market development The scale of the world' s energy system means that, in addition to developments in technology discussed above, a successful energy transition will require appropriate support from governments and private participants throughout the global economy. The company' s ability to develop and deploy CCS and other lower- emission energy technologies at commercial scale will depend in part on the continued development of supportive government policies and markets. Failure or delay of these policies or markets to materialize or be maintained could adversely impact these investments. Policy and other actions that result in restricting the availability of hydrocarbon products without commensurate reduction in demand may have unpredictable adverse effects, including increased commodity price volatility; periods of significantly higher commodity prices and resulting inflationary pressures; and local or regional energy shortages. Such effects in turn may depress economic growth or lead to rapid or conflicting shifts in policy by different actors, with resulting adverse effects on the company' s business. In addition, the existence of supportive policies in any jurisdiction is not a guarantee that those policies will continue in the future. **The company' s operations and planned projects that have been developed with regard to current or anticipated policies may become uneconomic or otherwise adversely impacted if such policies change or are not adopted as anticipated.** See also the discussion of ~~“~~ **"** Supply and demand ~~”~~ **"** , ~~“~~ **"** Government and political factors **"** ~~”,~~ and ~~“~~ **"** Management effectiveness ~~”~~ **"** in this Item 1A. Currency Prices for commodities produced by the company are commonly benchmarked in U. S. dollars. The majority of Imperial' s sales and purchases are related to these industry U. S. dollar benchmarks. As the company records and reports its financial results in Canadian dollars, to the extent that the value of the Canadian dollar strengthens, the company' s reported earnings will be negatively affected. The company does not currently make use of derivative instruments to offset exposures associated with foreign currency. Other business risks Imperial is reliant on a number of key chemicals, catalysts and third- party service providers, including input and output commodity transportation (pipelines, rail, trucking, marine) and utilities providing services, including electricity and water, to various company operations. The lack of availability, capacity or proximity, with respect to pipeline facilities and railcars, could negatively impact ~~Imperial~~ **the company** ' s ability to produce at capacity levels. Transportation disruptions, including those caused by events unrelated to the company' s operations, could adversely affect the company' s price realizations, refining operations and sales volumes. This includes outages of key third- party infrastructure, such as pipelines servicing the company' s oil sands assets or pipelines supplying feedstock to its refineries, which could impact the company' s ability to operate its assets or limit the ability to deliver production and products to market. A third- party utilities outage could have an adverse impact on the company' s operations and ability to produce. The company also enters into contractual relationships with suppliers, partners and other counterparties to procure and sell goods and services, and the company' s operations, market position and financial condition may be adversely impacted if these counterparties do not fulfil their obligations. ~~Imperial~~ **The company** may also be adversely affected by the outcome of litigation resulting from its operations or by government enforcement proceedings alleging non- compliance with applicable laws or regulations. Litigation is subject to uncertainty and success is not guaranteed, and the company may incur significant expenses and devote significant resources in defending litigation. Current and future increases in operating costs such as energy, transportation and materials, including through shipping, supply chain disruptions and inflationary cost pressures, could adversely affect the company' s financial results if it is unable to control or offset these costs. In addition to direct potential impacts on the company' s costs and revenues, market factors such as rates of inflation may indirectly impact results to the extent such factors reduce general rates of economic growth and therefore energy demand, as discussed under ~~“~~ **"** Supply and demand". Further, ~~with~~ **as underlying** ~~inflation~~ **inflationary** ~~rising~~ **pressures remained** in Canada and other countries throughout ~~2022~~ **2023** , governments ~~have increased~~ **maintained elevated** interest rates which may further impact the company through the availability of financing, cost of debt, and exchange rate fluctuations. Additional information regarding the potential future impact of market factors on ~~our~~ **the company' s** businesses is included or incorporated by reference under Item 7A Quantitative and qualitative disclosures about market risk in this report. Operational and other factors In addition to external economic and political factors, Imperial' s future business results also depend on the company' s ability to manage successfully those factors that are at least in part within its control **, including its capital allocation into existing and new businesses** . The extent to which ~~Imperial~~ **the company** manages these factors will impact its performance relative to competition. For projects in which the company is not the operator such as Syncrude, Imperial depends on the management effectiveness of one or more co- venturers whom the company does not control. Project management The nature of the company' s Upstream, Downstream and Chemical businesses depend on complex, long- term, and capital intensive projects that require a high degree of project management expertise to maximize efficiency. This includes development, engineering, construction, commissioning and ongoing operational activities and expertise. The company' s results are affected by its ability to develop and operate projects and facilities as planned, and by events or conditions that affect the advancement, operation, cost or results of such projects or facilities. These risks include the company' s ability to obtain the necessary environmental and other regulatory approvals; changes in regulations; the ability to negotiate successfully with joint venturers, partners, governments, suppliers, customers and others; the ability to model and optimize reservoir performance; changes in resources and operating costs including the availability and cost of materials, equipment and qualified personnel; the **ability to qualify for certain incentives available under supportive government policies for emerging markets and technologies; the** impact of general economic, business and market conditions; and the company' s ability to **prevent, to the extent possible, and** respond effectively to unforeseen technical difficulties that could

delay project start- up or cause unscheduled downtime. Operational efficiency An important component of Imperial' s competitive performance, especially given the commodity **-** based nature of ~~Imperial~~ **the company** ' s business, is the ability to operate efficiently, including the company' s ability to manage expenses and improve production yields on an ongoing basis. This requires continuous management focus, including technological **integration and** improvements, cost control, productivity enhancements and regular reappraisal of the company' s asset portfolio. The company' s operations and results also depend on key personnel and subject matter expertise, the recruitment, development and retention of high caliber employees, and the availability of skilled labour. Research and development and technical change Imperial relies upon the research and development organizations of the company and ExxonMobil, with whom the company conducts shared research. Innovation and technology are important to maintain the company' s competitive position, especially in light of the technological nature of Imperial' s business and the need for continuous efficiency improvement. The company' s research and development organizations must be able to adapt to a changing market and policy environment, including developing technologies to help reduce greenhouse gas emissions intensity. To remain competitive, the company must also continuously adapt and capture the benefits of new technologies including growing the company' s capabilities to utilize digital data technologies to gain new business insights. There are risks associated with projects that rely on new technology, including that the results of implementing the new technology may differ from simulated, piloted or expected results. The failure to develop and adopt new technology may have an adverse impact on the company' s operations, ability to meet regulatory requirements and operational commitments and targets (including environmental sustainability and reduction of greenhouse gas emissions), and financial results. Safety, business controls and environmental risk management The scope and nature of the company' s operations present a variety of significant hazards and risks, including operational hazards and risks such as explosions, fires, pipeline ruptures and crude oil spills. Imperial' s operations are also subject to the additional hazards of pollution, releases of toxic gas and environmental hazards and risks, including severe weather (such as extreme cold weather events that impacted the company' s oil sands operations in early 2022) **, drought, forest fires** and geological events. The company' s results depend on management' s ability to minimize these inherent risks, to effectively control business activities and to minimize the potential for human error. ~~Imperial~~ **The company** applies rigorous management systems, including a combined program of effective operations integrity management, ongoing upgrades, key equipment replacements, and comprehensive inspection and surveillance. The company also maintains a disciplined framework of internal controls and applies a controls management system for monitoring compliance with this framework. The company' s upstream and downstream operations may experience loss of production, slowdowns or shutdowns and increased costs due to the failure of interdependent systems, and substantial liabilities and other adverse impacts could result if the company' s management systems and controls do not function as intended. Cybersecurity ~~Imperial~~ **The company** is regularly subject to attempted cybersecurity disruptions from a variety of sources, including state- sponsored actors. ~~Imperial~~ **The company** ' s defensive preparedness includes multi- layered technological capabilities for prevention and detection of cybersecurity disruptions: non- technological measures such as threat information sharing with governmental and industry groups; annual internal training and awareness campaigns including routine testing of employee awareness via mock threats; and an emphasis on resiliency including business response and recovery. ~~If~~ **See" Item 1C. Cybersecurity" for information on** the ~~measures the~~ company ~~is taking to protect against~~ **' s program for managing** cybersecurity **risks. The** ~~disruptions prove to be insufficient or if the~~ company ~~' s proprietary data is otherwise not protected, the company, as~~ **has limited ability to influence** ~~well as its customers, employees or~~ third parties, **including the company' s partners, suppliers, service providers (including providers of** ~~could~~ **cloud** ~~be adversely affected. The~~ **- based services for the company' s data or applications) and customers, to implement strong cybersecurity controls, and the** company is exposed to potential harm from cybersecurity events that may affect ~~the~~ **their** operations **. During 2023, the company responded to several cyber- attacks on suppliers and joint venture partners, none** of **which caused a material impact to Imperial. The company' s response included giving technical assistance, loaning equipment, and taking additional defensive measures. If the measures the company is taking to protect against cybersecurity disruptions prove to be insufficient or if the company' s proprietary data is otherwise not protected, the company, as well as its customers, employees or** third parties, ~~including our partners, suppliers, service providers (including providers of cloud~~ **could be adversely affected** ~~- based services for our data or applications), and customers~~ . Cybersecurity disruptions could cause physical harm to people or the environment; damage or destroy assets; compromise business systems; result in proprietary information being altered, lost or stolen; result in employee, customer or third- party information being compromised; or otherwise disrupt the company' s business operations. ~~Imperial~~ **The company** could incur significant costs to remedy the effects of a major cybersecurity disruption, in addition to costs in connection with resulting regulatory actions, litigation or reputational harm. Preparedness The company' s operations **have been and in the future** may be disrupted by severe weather events, natural disasters, human error, and similar events. ~~Our~~ **The company' s** facilities are designed, engineered, constructed, and operated to withstand a variety of extreme climatic and other conditions, with safety factors built in to cover a number of uncertainties, including those associated with permafrost stability, temperature extremes, extreme rainfall events, earthquakes and other events. ~~Our~~ **The company' s** consideration of changing weather conditions and inclusion of safety factors in design covers the engineering uncertainties that climate change and other events may potentially introduce. Imperial' s ability to mitigate the adverse impacts of these events depends in part upon the effectiveness of its robust facility engineering, rigorous disaster preparedness and response, and business continuity planning. Reputation Imperial' s reputation is an important corporate asset. Factors that could have an impact on the company' s reputation ~~including~~ **include** an operating incident or significant cybersecurity disruption; changes in consumer views concerning the company' s products **; a perception by the public that the company is not being fully transparent in the sharing of information regarding its operations that is or may be relevant to community decision- making; actions taken by the company' s business partners** ; a perception by investors or others that insufficient progress is being made with respect to the company' s ambition in the energy transition, or that pursuit of this

ambition may result in allocation of capital to investments with reduced returns; and other adverse events such as those described in this Item 1A. Negative impacts on Imperial' s reputation could, in turn, make it more difficult for the company to compete successfully for new opportunities, obtain necessary regulatory approvals, obtain financing, and attract talent, or they could reduce consumer demand for the company' s branded products. Imperial' s reputation may also be harmed by events which negatively affect the image of the industry as a whole, including public and investor perception of Alberta oil sands in relation to greenhouse gas emissions **, Indigenous rights** and environmental impact. Reserves The company' s future production and cash flows from bitumen, synthetic crude oil, liquids and natural gas reserves are highly dependent upon the company' s success in exploiting its current reserves. To maintain production and cash flows over the long term, the company must replace produced reserves, which can be accomplished through exploration discovery of new resources, appraisal and investments in developing discovered resources, or acquisition of reserves. To the extent cash flows from operations are insufficient to fund capital expenditures and external sources of capital become limited or unavailable, the company' s ability to make the necessary capital investments to maintain and grow oil and natural gas reserves will be adversely impacted. In addition, the company may be unable to find and develop or acquire additional reserves to replace oil and natural gas production at acceptable costs. Estimates of economically recoverable oil and natural gas reserves and future net cash flows involve many uncertainties, including factors beyond the company' s control. Key factors with uncertainty include: geological and engineering estimates, including that additional information obtained through seismic and drilling programs, reservoir analysis and production and operational history may result in revisions to reserves; the assumed effects of regulation or changes to regulation by government agencies, including royalty frameworks and environmental regulations (such as the regulation of greenhouse gas emissions, including accelerated timelines and emission reduction stringency to meet government goals, which could impose significant compliance costs on the company, require new technology, or impact the economic viability of certain projects); future commodity prices, where low commodity prices may affect reserves development; abandonment and reclamation costs, including reclamation and tailings requirements for mining operations; and operating costs. Actual production, revenues, taxes and royalties, development costs, abandonment and reclamation costs, and operating expenditures, with respect to reserves, will likely vary from such estimates, and such variances could be material.