

Imperial Oil Limited
111 St Clair Ave W
PO Box 4029 Stn A
Toronto ON M5W 1K3

Patrick T. Mulva
Controller and
Senior Vice-President
Finance and Administration

Tel: (416) 968-4315
Fax: (416) 968-4105

June 22, 2001

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Securities Commission
The Manitoba Securities Commission
Ontario Securities Commission
Office of the Administrator, New Brunswick
Registrar of Securities, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland
Securities Registry, Government of the Northwest Territories
Registrar of Securities, Government of the Yukon Territory
Securities Registry, Government of the Nunavut Territory

c/o John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
Suite 800, Box 55
Toronto, Ontario M5H 3S8

c/o Claude St. Pierre, Secrétaire
Commission des valeurs mobilières du Québec
800 Victoria Square
Stock Exchange Tower
P.O. Box 246, 22nd Floor
Montréal, Québec H4Z 1G3

Dear Sir/Madam,

We are pleased to offer our comments on the Canadian Securities Administrators' (CSA) Discussion Paper 52-401 "Financial Reporting in Canada's Capital Markets".

Imperial Oil Limited encourages the CSA to allow companies the option of filing financial statements under either Canadian or US GAAP, without reconciliation. As a Canadian cross border filer, Imperial would likely, if permitted, elect to file US GAAP statements.

Uniform accounting and reporting standards between Canada and the US will increase understandability of financial statements, facilitate comparability between companies and facilitate cross border financing.

Over the last few years various securities regulators and accounting bodies have actively pursued the harmonization of accounting and reporting standards. We endorse the harmonization with US GAAP initiative, and note that the number of Canadian and US accounting standard differences have declined over the last few years.

The increasing integration of the Canadian and US marketplace, coupled with recent moves towards uniform North American accounting and reporting standards, suggests that companies should have the option to file their financial statements with Canadian securities commissions in accordance with either Canadian or US GAAP. As noted in the CSA Discussion Paper, Canadian companies that elect US GAAP are competing for capital in the US market, and usually have a significant amount of their sales and/or operations in the US market. The requirement for these companies to prepare Canadian GAAP statements with a US GAAP reconciliation, or prepare US GAAP statements with a Canadian GAAP reconciliation (if a foreign issuer) only adds to the confusion of investors.

Our responses to your questions 1 to 10 are attached. We have not answered questions 11 to 17 regarding the assessment of the IASC standards as we believe the alternative option for Canadian filers, in the context of the North American market, should be the adoption of US accounting and reporting standards.

Yours truly,

Original signed

Attachment

Attachment
CSA Discussion Paper 52-401
"Financial Reporting in Canada's Capital Markets"

Question 1:

Canadian securities regulators should allow companies the option of filing financial statements under either Canadian or US GAAP without reconciliation to the alternative GAAP.

North American capital markets are becoming increasingly integrated. Accounting and reporting standards should reflect the North American business environment. The adoption of a uniform set of North American standards will increase the understandability of financial statements and enhance comparability with US competitors.

Question 2:

The relaxation in current requirements should apply to both US-based and Canadian issuers. That relaxation should apply to continuous disclosure, offering documents and information circulars. Recall that the objective is to encourage the migration to a uniform set of North American standards.

A reconciliation from Canadian to US GAAP, or vice versa, does not enhance either the quality or usefulness of the financial statement information presented and adds unnecessary cost for preparation. The quality of financial information stems from the due diligence followed in the preparation. Usefulness, in our view, is primarily a function of consistency (comparability) from period to period, in keeping with the statement in CICA Handbook 1000.12, as follows:

"Investors and creditors of profit oriented enterprises are interested...in predicting the ability of the entity to earn income and generate cash flows in the future to meet its obligations and to generate a return on investment."

Canadian users who follow cross border filers are familiar with the significant aspects of US GAAP; also, the number of significant Canadian-US GAAP differences has noticeably declined in recent years as a result of the CICA's harmonization efforts.

Question 3:

North America should be moving to a uniform set of accounting and reporting standards. To encourage that uniformity, US GAAP filers and Canadian filers should be allowed the option of filing statements using either Canadian or US GAAP, without reconciliation.

Question 4:

To encourage the migration to a set of North American accounting and reporting standards, Canadian securities regulators should allow companies the option of filing Canadian or US GAAP statements, without reconciliation.

A primary function of financial statements should be consistency (comparability) from period to period, in keeping with CICA Handbook 1000.12.

In the Canadian oil and gas industry, the majority of senior Canadian oil and gas producers are cross border filers reflecting the continental and international character of the industry. Consequently, for North American senior producers', comparability will be enhanced if Canadian issuers' are allowed to file US GAAP statements.

Question 5:

Issuer, auditor and user knowledge and experience with other than Canadian GAAP, in particular US GAAP, is not a significant issue based on Imperial's experience of preparing a US GAAP reconciliation. The knowledge and experience of staff, management and our external auditors with US GAAP is quite high. Further, questions on the Canadian to US GAAP reconciliation have been rare, suggesting that users are either comfortable with US GAAP or do not find the reconciliation to be useful information.

The CICA survey of 1999 financial statements of 200 companies filed with Canadian securities commissions included only three companies with a reference to IAS GAAP, whereas 85 companies included a note (and reconciliation) on differences between Canadian and US GAAP (CICA "Financial Reporting in Canada - 2000", pages 34 and 61-62). This is a significant proportion of the companies surveyed and suggests that there is an acceptable level of understanding of US GAAP by Canadian cross border filers, as well as users of those statements. The small number of companies referencing IAS GAAP indicates a need for more education regarding IAS standards before those standards would be acceptable for Canadian filings without a reconciliation to Canadian or US GAAP.

Question 6:

Many of the issues referred to in this question - GAAP relationships, comparability, cost/benefit, focus on US GAAP and knowledge and experience with US GAAP have already been commented on in responses to previous questions. As previously noted, we do not see any significant impediments to allowing companies the option of filing statements under US GAAP.

As noted in the discussion paper, changes to the Canada Business Corporations Act (CBCA), the equivalent provincial acts, and the Income Tax Act would be helpful to fully realize the benefits of accepting statements in Canadian or US GAAP.

Question 7:

The Canadian market is more integrated with the US market than any other capital market. The harmonization of accounting and reporting standards should work towards a North American solution based on US GAAP. IAS, in our view, is not appropriate for North America.

Question 8:

All Canadian companies should be allowed the option of filing statements under Canadian or US GAAP. Companies electing to prepare financial statements under some other set of standards (IAS or UK standards as suggested in question 8) should be required to reconcile those statements to either Canadian or US GAAP as Canadian users, generally, are not that familiar with other foreign or IAS GAAP.

Question 9:

No, see comments for question 3 and question 8.

Question 10:

As previously stated, one of the primary objectives of financial statements should be comparability from period to period. Should the CSA allow the option of filing financial statements under US GAAP, then this change should be applied retroactively and financial statements of all prior periods should be restated to give effect to the new basis of financial accounting and reporting.

Questions 11-17:

These questions relate to the comprehensiveness and quality of IASC standards. Our focus as a 10K filer is on US versus Canadian GAAP. We have not followed the development of IAS standards and are not in a position to comment on their comprehensiveness and quality.