



Audit Committee Chair

COMPANY

ADDRESS

January 21, 2026

Dear [Audit Committee Chair],

Re: Audit Committee oversight of the 2025 financial statements and audit report, in lead up to the 2025 AGM

We are writing as shareholder representatives regarding the Audit Committee's oversight over both the preparation of the company's 2025 consolidated financial statements and the performance of the independent auditor.

Our research indicates that there are material gaps in Canadian oil and gas company 2024 financials and audit reports. Specifically, we identified disclosure gaps regarding whether and how companies considered the financial impacts of key uncertainties surrounding decommissioning obligations. This can have material implications for investors, who make decisions based on financial disclosures. We intend to focus on this issue as an input to this year's AGM vote on the re-election of the Audit Committee Chairs and independent auditor reappointments.

The gaps are summarized below, and were detailed in our [November 2025](#) report and by the Globe and Mail: [*Insufficient disclosure obscuring billions in Alberta oil sands liabilities, advocates say*](#). These issues have also been raised via benchmarking undertaken by both Climate Action CA100+ and Climate Engagement Canada.

Furthermore, the role of the external auditor is to identify and report on key audit matters, in keeping with professional standards and the auditor's mandate to provide independent assurance to investors. The auditor and the audit committee have a legal duty to inform directors of material errors or misstatements in the financial statements.

Decommissioning obligations: costs, timing, discount rate

Our concerns begin with the overall scale of decommissioning obligations. There is an estimated CAD \$113 billion discrepancy, for example, between the Alberta Energy Regulator's leaked 2018 estimate of total liabilities, updated to present day, and the combined total reported by the top 14 Canadian oil and gas companies. Investors have no way to know what the true scale is.

When reporting these obligations as present value estimates in the financial statements, accountants make a number of assumptions that bear closer scrutiny. Overly high discount rates may be used, as well as overly long time horizons for retiring assets, thereby driving down the present value estimates that are reported in the financials. While some companies admit uncertainty with regards to these factors, no quantitative sensitivity analysis is provided to investors showing how the numbers could shift by millions or billions of dollars. This is particularly risky given the acceleration of EV adoption globally and projected decline in oil demand and price within the multi-decade asset retirement timelines found in the financials.

Standards are becoming increasingly clear that full transparency in accounting for decommissioning liabilities is mandatory. The IASB published guidance in November 2025, *Disclosures about Uncertainties in the Financial Statements*,¹ that provides illustrative examples clarifying how entities must report the effects of uncertainties, including those related to climate change, under the existing requirements.² Example 2A to the Guidance on implementing IAS 37 Provisions, Contingent Liabilities and Contingent Assets addresses decommissioning and site-restoration obligations. The guidance clarifies that even if the effect of certain obligations on the carrying amount of a provision is deemed immaterial due to discounting over a long timeframe, information about these obligations may be material information – meaning it must be reported in the financials. For example, if there is a "significant and increasing risk" of early settlement due to the energy transition.

Company benchmarking assessments conducted on behalf of Climate Action 100+ and Climate Engagement Canada find that oil and gas companies and their auditors do not disclose sufficient information in financial statements, including about decommissioning liabilities and energy transition financial risks. These expectations are based on relevant accounting and audit requirements and supported by hundreds of institutional investors.

Investors expect the Audit Committee to provide oversight of the quality and accuracy of financial reporting, as per the *Canada Business Corporations Act*. This letter serves to reiterate the recommendations raised in our 2025 reporting, that the Audit Committee take the following steps to ensure material risks are properly considered in the 2025 accounts, as well as assessed by the external auditor, and that this be disclosed to shareholders in the financial statements and audit report as applicable:

- 1. Provide details behind critical assumptions:** An explanation of how critical accounting judgments (e.g., decommissioning costs and timing, commodity prices, asset lives, discount rates) have included the impacts of relevant risks, publicly available data, and rapid transition scenarios. If directors approve the use of scenarios that do not align with net-zero assumptions, they must explain why in the Notes to the accounts.

¹ Note that the IASB published near final versions of the illustrative examples in July 2025 to provide early sight of final versions expected in Q4 2025, enabling timely consideration.

² IASB, [IASB issues illustrative examples on reporting uncertainties in financial statements](#) (2025).

2. **Provide a sensitivity analysis:** Quantitative disclosure of how your company's financial position would change under faster transition scenarios with higher decommissioning costs (i.e., shortened timeframes for meeting decommissioning obligations; lower, risk-free discount rates; and lower commodity prices).
3. **Ensure consistency:** Management's discussion of the potential impacts of energy transition risks, found in the MD&A section of the annual report, should be reflected in the financials, or an indication of why the information was not included be provided.

We also expect your auditor to provide independent assurance regarding these factors, including evaluating the appropriateness of the company's key accounting judgments and estimates related to decommissioning liabilities, providing evidence that these assumptions were tested, and ensuring appropriate disclosure of highly uncertain judgments as Key Audit Matters in the 2025 audit report.

Your company operates in a sector with significant risks related to decommissioning liabilities and demand shifts due to the energy transition. Not only is the price of oil currently dropping low enough to signal the [first major glut since 2020](#), but also the provincial regulator is starting to collect payments for aging oil sands infrastructure, for example [Suncor's 2025 payments for the closure of Syncrude](#) – payments that weren't noted in its 2024 financials.

As your company prepares its 2025 financials, it is critical that appropriate practices in accounting for its decommissioning liabilities are applied, and that the auditor demonstrates robust independent assurance in this regard. As a shareholder representative, we will analyze Canadian oil and gas companies' 2025 financials and auditors reports to check for progress on these issues. We will cast our votes for the Audit Committee Chairs re-election and the auditors reappointment accordingly, and will make the rationale for this decision available to the investor community ahead of the AGM.

Sincerely,



Matt Price
Executive Director
Investors for Paris Compliance

cc Independent auditor