

Sunoco, Inc.

Corporate Governance Guidelines

INTRODUCTION

Sunoco's business is conducted by its employees under the direction of the CEO and the oversight of the Board, to enhance the long-term value of Sunoco for its shareholders. The Board is elected by the shareholders to oversee management and to strive to assure that the long-term interests of the shareholders are being served. Both the Board and management recognize that the long-term interests of Sunoco are advanced by responsibly addressing the concerns of other constituencies, including employees, customers, suppliers and the communities in which Sunoco operates.

BOARD COMPOSITION

Annual Director Election: Each director is elected annually by shareholders for a one-year term. Sunoco does not have a "staggered board."

Board Size: Annually, Sunoco's Board fixes the number of directors that will constitute the Board for the following year. The Board believes that a board size of between 7 and 10 directors is the ideal size for Sunoco, although at times the size may vary due to transition periods for new directors in anticipation of planned director retirements.

Director Independence: A director is "independent" only if he or she is a non-management director and is free of any direct or indirect material relationship with Sunoco or its management. Except for Sunoco's Chairman and CEO, all current directors meet the applicable Securities and Exchange Commission rules and the "independence" standards of the NYSE Listing Standards and Sunoco's Categorical Standards of Independence attached to these Guidelines as Appendix A.

Director Qualifications: The Governance Committee annually reviews the background and the past and current experience of the current directors in relation to the required skill sets it is seeking in the Board-as-a-whole, as well as in committee membership needs. This review focuses on the strategic direction of the Company, as well as future planned director retirements, and identifies specific skill sets required in director nominees.

- a. The Board seeks qualified individuals who, taken together, represent the required diversity of skills, backgrounds and experience for the Board taken as a whole;

- b. A director should have the required expertise and experience, should have a proven record of professional success and leadership and should be able to offer advice and guidance to the CEO;
- c. A director should possess the highest personal and professional ethics, integrity and values; must be inquisitive and objective and have the ability to exercise practical and sound business judgment;
- d. A director should have the ability to work effectively with others;
- e. Assuming that a potential director nominee possesses the required skills, background and experience, the Board also considers ethnic and gender diversity;
- f. Except for the Chairman and Chief Executive Officer, all directors should be independent, as outlined in Sunoco's Categorical Standards of Independence; and
- g. A director retires from the Board at the annual meeting following his or her 72nd birthday, unless – in limited and special circumstances – an exception is approved by the independent directors of the Board.

Director Nominee Selection: The Board is responsible for filling vacancies at any time during the year, and for identifying and reviewing qualified individuals to become board members. The Governance Committee reviews all potential director nominees, and recommends potential director nominees to the Board. Director nominees may be identified by current directors of the Company, by a search firm or by shareholders. The Governance Committee has the authority to independently engage the services of a third-party search firm or other consultant to assist in identifying and screening potential director nominees. The Board reviews and has final approval authority on all potential director nominees being recommended to the shareholders for election in the Company's proxy statement.

Changes to a Director's Current Position: If the primary position held by an independent director at the time of election (including retirement) changes, he or she must offer to tender his or her resignation as a director to the Governance Committee.

Service by Independent Directors on Other Boards and Other Audit Committees: Sunoco does not limit the number of other public company boards on which an independent director may serve, although all directors are expected to devote sufficient time and effort to their duties as a Sunoco Board member and this is considered as part of the individual director evaluation process. Sunoco's independent directors are expected to serve on not more than two other public company audit committees in addition to Sunoco's. Prior to joining the board of another public company, as well as the board of any non-public, for-profit company, directors are required to advise Sunoco's Governance Committee so that a review can be performed to ensure there are no conflicts or other issues.

Mandatory Retirement Policy for Directors: Sunoco’s directors retire from the Board at the annual meeting following their 72nd birthday unless the Governance Committee recommends to the Board – in limited and special circumstances – an exception to this requirement and it is approved by the independent directors of the Board. Because Sunoco’s Board has adopted a mandatory retirement age and because Sunoco’s Governance Committee annually performs an individual director evaluation for each director prior to recommending his or her nomination for election by the shareholders, the Board has decided not to adopt term limits for its directors.

Service by CEO on Other Boards: The CEO must obtain the approval of the Governance Committee prior to accepting an invitation to serve on the board of another public company. The Governance Committee is of the view that the CEO should be limited to two outside public company directorships in addition to board service on Sunoco Partners LLC, the general partner of Sunoco Logistics Partners L.P. Sunoco’s Board is of the view that service on the Sunoco Partners LLC board should not be considered an “outside public company directorship” because it is part of the responsibilities of Sunoco’s CEO to spend time overseeing each of Sunoco’s business units regardless of the corporate structure of those entities.

The CEO may not serve on the board of a company on which a Sunoco independent director serves as an officer.

CEO Board Service: Any CEO of the Company, who also serves as a director, shall tender his or her resignation from the Board at the same time he or she retires, resigns or is removed from the Company. The Governance Committee will recommend to the Board whether to accept the resignation, which must be approved by the independent directors of the Board.

BOARD OPERATIONS

Board Leadership: Sunoco’s Bylaws permit the Board to designate the CEO as Chairman. Currently, Sunoco’s Chairman of the Board (“Chairman”) also serves as Chief Executive Officer (“CEO”). Additionally, Sunoco’s Board has adopted the position of Presiding Director, who will be the Chairman of the Governance Committee.

Sunoco’s Presiding Director has responsibility for:

- presiding over the executive sessions of the independent directors and providing feedback and direction from such sessions to the Chairman and CEO;
- serving as a “sounding board” and providing counsel to the Chairman and CEO on various strategic and other issues;
- providing input on Board meeting agendas;

- advising the Chairman and CEO as to the quantity, quality and timeliness of information and materials provided to the Board;
- leading the Board and Committee self-evaluation process and the individual director evaluation process and providing feedback; and
- leading the independent directors in the annual CEO evaluation and providing feedback to the CEO.

Sunoco's Board was, and remains, of the view that this combined leadership structure is extremely effective for a number of reasons, which include:

- Except for the Chairman and CEO, all of Sunoco's current directors are independent;
- There is a Presiding Director with the duties and responsibilities identified above;
- The Directors have many opportunities to meet independently without the Chairman and CEO present (see Executive Sessions, below); and
- The CEO, with responsibility for managing the company, is many times in the best position to identify, in the first instance, the most important strategic and operational business issues to bring before the Board in consultation with the Presiding Director. However, there are times that the Presiding Director or any other director independently adds issues to Board agendas, which the Chairman and CEO is then responsive to.

➤ *Executive Sessions.* The Board holds executive sessions of only independent directors following each regularly scheduled Board meeting, and at least one separate meeting of independent directors each year in addition to these executive sessions. The Presiding Director leads these meetings and is responsible for agenda preparation. Additionally, each Board Committee has executive sessions of only committee members following most Committee meetings.

Board Meetings: Sunoco's Board usually meets six times per year in regularly scheduled meetings, but meets more often if necessary. These regularly scheduled meetings occur over a two-day period, including Committee meetings. During these meetings, strategic and other issues, as well as major corporate actions are reviewed and approved.

Meeting Agendas and Information Flow. The Chairman and CEO, with input from the Presiding Director, establishes a preliminary agenda for each Board meeting. Any director may request items to be included on the agenda. Ample time is scheduled at each Board meeting to assure full discussion of important matters. Management presentations are scheduled to permit a substantial

proportion of Board meeting time to be available for discussion. In many cases, significant items requiring Board approval may be reviewed and discussed at one or more meetings and voted upon in subsequent meetings. The Corporate Secretary maintains a list of recurring agenda items and the timing of such agenda items throughout the year. This list is circulated to all Board members, who are free to add additional agenda items. Board members receive agendas and other relevant information well in advance of Board meetings so they will be prepared for the meetings.

Attendance of Non-Directors at Board Meetings: Senior executives, key employees and outside experts and presenters attend portions of the Board Meetings, as appropriate.

New Director Orientation: Sunoco's new directors are required to attend orientation sessions and new committee members are required to attend committee orientation sessions.

Ongoing Director Education: Sunoco conducts ongoing training or continuing director education for its Board members and is supportive of, and reimburses its directors for, attending director education programs.

Performance Evaluations: Sunoco's Board has a three-tier performance evaluation process, led by the Presiding Director, which enables continuous improvements at all three tiers.

- *Full Board Evaluation.* The Board conducts an annual evaluation of how it is functioning as a whole.
- *Committee Evaluation.* Sunoco's individual committees conduct annual self-evaluations. The results are reviewed with each committee and with the Board.
- *Individual Director Performance Evaluation.* Individual director evaluations are conducted annually by the Governance Committee. The Presiding Director meets confidentially with individual directors, as appropriate, to provide feedback.

BOARD RESPONSIBILITIES

Review and Approve Sunoco's Strategic Plan, Annual Operating Plan and Major Corporate Actions:

- Annually, the Board reviews and approves Sunoco's three-year strategic plan and the annual operating plan.
- On an on-going basis, the Board reviews and approves all major corporate actions. The Board also reviews political, regulatory and economic trends and developments that may impact Sunoco.

Monitor Sunoco's Performance:

- On an on-going basis during the year, the Board monitors Sunoco's performance against its annual operating plan and against the performance of its peers.
- On a regular basis at Board meetings and through periodic updating, the Board reviews Sunoco's financial performance with a particular focus on peer and competitive comparisons. These reviews include the views of management, as well as those of key investors and securities analysts.

Evaluate the CEO:

- The CEO is the highest ranking member of the management team. As such, he or she is accountable to the Board for Sunoco's management and performance.
- Annually, the CEO and the independent directors agree on the CEO's goals and objectives for the coming year.
- At the end of the year, the CEO meets with the independent directors to discuss his or her performance as against the pre-established goals and objectives.
- Following that discussion, the independent directors meet separately, at a meeting which is led by the Presiding Director, to evaluate the performance of the CEO.
- The results of this evaluation are communicated to the CEO by the Presiding Director. The results are utilized by the Compensation Committee in setting the CEO's compensation for the next year.

Review and Approve Executive Compensation:

- The Compensation Committee reviews and approves the compensation plans for senior executives to ensure they are appropriate, competitive and are properly aligned with Sunoco's Strategic Plan, goals and objectives.
- Annually, the Compensation Committee approves metrics for the annual and long-term executive incentive plans, which are then reviewed with the entire Board.
- Annually, the Compensation Committee determines and approves CEO compensation and approves compensation for the other senior executives based on the CEO's recommendation.

Review and Approve CEO and Management Succession Planning and Development:

- The Board plans for succession of the CEO as well as the other senior executive positions.
- To assist the Board, the CEO annually provides the Board with an assessment of senior executives, their potential to succeed him or her, and future development plans.
- The CEO also provides the Board with an assessment of persons considered potential successors to the senior executive positions and future development plans.
- The Board has adopted a process which would be activated in the event an unanticipated emergency occurs and the CEO is unable to serve.

Advise and Counsel Management:

- Advice and counsel to management occurs both through formal Board and Committee meetings and through informal, individual director contacts with the CEO and other members of management. Directors have full access to management.
- The Board and its Committees may, at any time, retain outside independent financial, legal or other advisors or consultants at the expense of Sunoco.

Monitor Ethical and Legal Compliance:

The Board, primarily through the Audit Committee, monitors ethical and legal compliance by overseeing the processes which are in place to maintain the integrity of the company -- the integrity of the financial statements, and internal control over financial reporting and disclosure controls and procedures, and the integrity of compliance with laws and ethics and with Sunoco's Code of Business Conduct and Ethics.

Director Compensation

Sunoco's Board believes the directors' compensation program:

- Should be designed to attract experienced and highly qualified directors;
- Should provide appropriate compensation for their time, efforts, commitment and contributions to Sunoco and Sunoco's shareholders; and
- Should align the interests of the independent directors and Sunoco's shareholders.

The Board, primarily through the Governance Committee, sets and administers the policies that govern the level and form of directors' compensation. The Committee:

- Directly engages an independent compensation consultant to advise it on an annual basis as to emerging trends in director compensation;
- Believes that a substantial portion of the total director compensation package should be in the form of Sunoco common shares and share equivalents in order to better align the interests of Sunoco's directors with the long-term interests of its shareholders; and
- Approves the Directors' Stock Ownership Guidelines.

COMMITTEE STRUCTURE

Committee Structure: The Board has established five standing committees so that certain Board oversight areas can be addressed in more depth: the Audit Committee, the Compensation Committee, the Governance Committee, the Corporate Responsibility Committee, and the Executive Committee. Each committee has the authority to, as it deems appropriate, independently engage outside legal, accounting or other advisors or consultants at the expense of Sunoco. Additionally, each committee conducts an annual self-evaluation of performance and reviews compliance with the current charter of the committee. Copies of the committee charters can be found on Sunoco's website (www.SunocoInc.com) and will be mailed to shareholders upon written request. A summary of the responsibilities of each of the committees follows:

- *Audit Committee.* The Audit Committee assists the Board in its oversight of the integrity of Sunoco's financial statements and disclosures and other internal control processes and Sunoco's compliance with ethics and compliance policies, and legal and regulatory requirements; appoints, retains, compensates, terminates and oversees the work of, and evaluates the independence and ability of, the independent registered public accounting firm, as well as selects and evaluates Sunoco's General Auditor; provides oversight on Sunoco's guidelines and policies with respect to business risk matters and other matters deemed appropriate by the Committee; oversees procedures for handling complaints, including the anonymous, confidential treatment of complaints regarding Sunoco's accounting, internal accounting controls or auditing matters; and prepares a report that is included in Sunoco's proxy statement.
- *Compensation Committee.* The Compensation Committee reviews and approves Sunoco's compensation philosophy, reviews and recommends Board approval of Sunoco's short- and long-term incentive plans, and reviews and approves the executive compensation programs and awards; determines and approves CEO compensation, and reviews and approves the compensation of the other senior executive officers; reviews and discusses with management the Compensation Discussion & Analysis (the "CD&A") required by the Securities and Exchange Commission and recommends to

the Board that the CD&A be included in the Company's proxy statement; produces an annual compensation committee report for inclusion in Sunoco's proxy statement; and reviews the general employee pension and employee welfare benefit plans, as appropriate.

- *Governance Committee.* The Governance Committee identifies required skill sets to be represented in the Board-as-a-whole; reviews and evaluates individual Board members each year prior to recommending to the Board the annual slate of potential director nominees for election by shareholders at the Annual Meeting; identifies and recommends qualified individuals to become director nominees; reviews the role, composition and structure of the Board and its committees; recommends Board approval of the committee chairs, the committee members and the Presiding Director (who shall be the Chairman of the Governance Committee); reviews corporate governance issues and emerging trends and recommends to the Board a set of corporate governance guidelines applicable to the Company; conducts an annual evaluation of itself and oversees the full Board's and each Committee's evaluation; reviews and approves related person transactions in accordance with Sunoco's Related Person Transactions Policy; and sets and administers policies governing the level and form of directors' compensation.
- *Corporate Responsibility Committee.* The Corporate Responsibility Committee has oversight responsibility for, and makes recommendations to the Board, as appropriate, regarding the Company's: (1) internal policies, practices, positions and performance in the areas of (a) health, environmental impact and safety, (b) equal employment opportunity and diversity, (c) government relations and (d) corporate philanthropy; and (2) external performance as a responsible corporate citizen, keeping the Board apprised of the integrity and propriety of the Company's positions with those individuals, organizations and institutions over which the Company does not have direct control, but whose influence or actions are important to the success of the Company, such as shareholders, communities in which we do business, state, local and federal governments, special interest groups, and others.
- *Executive Committee.* The Executive Committee exercises the authority of the Board during the intervals between meetings of the Board except for Board actions specifically excluded by law and except that no action will be taken by this Committee if any member of the Committee has voted in opposition.

Committee Membership:

- *Independence.* Each committee of the Board, except for the Executive Committee, is composed entirely of independent directors that meet the applicable Securities and Exchange Commission rules and the

“independence” standards of the NYSE Corporate Governance Listing Standards and Sunoco’s Categorical Standards of Independence.

- *Other Qualifications.* The individual qualifications of committee members are reviewed annually for skill set relevance, as well as for compliance with the various regulatory requirements mandated for the members of each particular committee.
- *Rotation Policy.* The Governance Committee reviews the skill set relevance, strengths and experience of each director, as well as the current and anticipated needs for each committee and rotates members based on committee needs. The Board adopted a mandatory five-year rotation for the Chairs of the Audit, Compensation, Corporate Responsibility and Governance Committees and the Presiding Director.

Committee Meetings and Agendas: Committee agendas are prepared by the Committee Secretary and management liaison in consultation with the Committee Chair. Annual recurring events for each committee are circulated each year and used as preliminary agenda items. All committee members are free to include additional items on an agenda. Executive sessions of only independent directors are regularly scheduled at the conclusion of each committee meeting. Each committee Chair reports to the Board on committee actions in a timely manner, but in no event later than the next Board meeting.

Appendix A

Sunoco, Inc.

Categorical Standards of Independence

To be considered “independent”, a director must be determined by resolution of the Board, after due deliberation, to have no direct or indirect material relationship with the Company. In making this determination, the Board, through its Governance Committee, shall consider all relevant facts and circumstances, and shall apply the following standards to assist the Board when assessing the independence of a director:

- a. A director will not be considered “independent” if:
 - (i) the director is, or within the last three years was, employed by the Company or any of its subsidiaries;
 - (ii) an immediate family member of the director is, or has been within the last three years, employed by the Company as an executive officer;
 - (iii) the director has received, during any twelve-month period within the last three years, more than \$120,000 in direct compensation from the Company, other than director and committee fees, and pension or other forms of deferred compensation for prior service (provided it is not contingent on continued service);
 - (iv) an immediate family member of the director has received, during any twelve-month period within the last three years, more than \$120,000 in direct compensation from the Company, other than director and committee fees, and pension or other forms of deferred compensation for prior service (provided it is not contingent on continued service);
 - (v) the director is a current partner or employee of a firm that is the Company’s (or any of its subsidiaries) internal or external auditor; or the director was, within the last three years, a partner or employee of such firm and personally worked on the Company’s audit within that time;
 - (vi) an immediate family member of the director is a current partner of a firm that is the Company’s (or any of its subsidiaries) internal or external auditor; or an immediate family member of the director is now, or was, within the last three years, a partner or employee of such firm and personally worked on the Company’s audit within that time;

- (vii) the director is, or has been within the last three years, employed as an executive officer of another company where any of the Company's present executive officers at the same time serve or served on that company's compensation committee; or
 - (viii) an immediate family member of the director is, or has been within the last three years, employed as an executive officer of another company where any of the Company's present executive officers at the same time serve or served on that company's compensation committee.
- b. The following commercial or charitable relationships will not be considered to be material relationships that would impair a director's independence:
 - (i) if a director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, the Company for property or services in an amount, which, in any of the last three fiscal years, did not exceed the greater of \$1 million or two percent (2%) of such other company's consolidated gross revenues;
 - (ii) if a director of the Company is an executive officer of another company which is indebted to the Company, or to which the Company is indebted, and the total amount of either company's indebtedness to the other is less than two percent (2%) of the total consolidated assets of either company; or
 - (iii) if a director is an executive officer of a tax-exempt organization, and the Company or The Sunoco Foundation made, within the preceding three years, discretionary contributions that in any single fiscal year were less than the greater of \$1 million or two percent (2%) of the tax-exempt organization's consolidated gross revenues, as determined from the tax-exempt organization's latest publicly available financial information.
- c. The following relationships are not material and do not impair a director's independence:
 - (i) a director or his immediate family members purchasing gasoline, heating oil, or other products or services of the Company, all on terms and conditions similar to those available to Company employees or other third parties (including, but not limited to, prices and discounts).
- d. An Audit Committee member may not have a direct or indirect financial relationship with the Company or any of its subsidiaries (i.e., accept directly or indirectly any consulting, advisory or other compensatory fee) other than compensation for service as a director. Audit Committee members may receive directors' fees (in the form of cash, stock, stock

- units or other in-kind consideration ordinarily available to directors, as well as regular benefits that other directors receive).
- e. An Audit Committee member may not be an “affiliated person” of the Company or any of its subsidiaries. “Affiliated person” is defined in Rule 10A-3 of the Securities Exchange Act of 1934 to mean a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified.
 - f. With respect to any relationship not covered by paragraphs “a”, “b” and “c” above, the determination of whether the relationship is material, and therefore whether the director would be independent, will be made by the directors who satisfy the independence criteria set forth in paragraphs “a” and “b” above. The Company will describe and explain in the next proxy statement the basis for any determination by the Board of Directors that a relationship is not material despite the fact that it does not meet the categorical standards set forth in paragraph “b” above. The Company will also disclose and explain the basis for any determination of independence for a director that does not meet the criteria in paragraphs “a” and “b” above.