INVESTOR BRIEF: TSX, NYSE: ENB

CONTEXTUAL INFORMATION REGARDING DISCLOSURE OF SCOPE 3 EMISSIONS SHAREHOLDER RESOLUTION FILED AT ENBRIDGE

VOTING INFORMATION

Meeting date:	**May 3, 2023**
Proxy cut off date:	Intermediaries must receive instructions by **1:30 pm MNT on May 1, 2023**.
Voting information:	here

NOTE: This is NOT a solicitation of your proxy; it simply provides contextual information from public sources regarding the proposal. Please do not send us your proxy card—we are not able to vote your proxies nor does this communication contemplate such an event. We recommend shareholders follow voting instructions provided in management's proxy mailing.

ABOUT INVESTORS FOR PARIS COMPLIANCE

Investors for Paris Compliance (I4PC) is a shareholder advocacy organization that works to hold Canadian publicly-listed companies accountable to their net zero commitments. More information can be found here.

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INVESTORS *for* PARIS COMPLIANCE

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BACKGROUND

We are encouraged that Canadian energy companies like Enbridge are beginning to adopt net zero commitments. A net zero commitment is a critical first step for Enbridge to ensure long term shareholder value as it begins a process to reduce its emissions and position the company for success in the emerging low carbon economy. On the path to net zero by 2050, it is the actions to reduce emissions in the next decade that will make the most impact.

Enbridge delivers the "midstream" part of the oil and gas value chain, connecting producers with consumers. Enbridge currently earns roughly 98% of its revenues and plans to make roughly 95% of its capital investments in business related to fossil fuels. Most fossil fuels end up being burned, producing downstream scope 3 emissions that make up roughly 80% of the overall emissions from fossil fuel use. These Scope 3 emissions are by definition are outside of Enbridge's control yet represent the rest of the lifecycle greenhouse gas emissions tied to Enbridge's business.

Recognizing the importance of disclosure to enable investors to understand the basis for measurement of Scope 3 greenhouse gas emissions, international regulators and standard setters have initiated processes to require scope 3 reporting. Significant actions include the International Sustainability Standards Board developing guidance for Scope 3 emissions[1]; new disclosure rules from the SEC could be released in 2023[2]; and in Canada, large financial institutions will have scope 3 disclosure requirements starting in 2024[3] (these institutions will require their clients to provide the necessary inputs).

1 https://www.ifrs.org/news-and-events/news/2022/12/issb-announces-guidance-and-reliefs-to-support-scope-3-ghg-emiss/
2 https://www.sec.gov/news/press-release/2022-46
3 https://www.osfi-bsif.gc.ca/Eng/fi-if/rg-ro/gdn-ort/gl-ld/Pages/b15-dft.aspx

The global energy transition driven by rapidly progressing technological shifts to low or zero emitting energy technologies is progressing at a pace much faster than predicted.[4] The energy transition is driving down emissions—the oil and gas sector's scope 3 emissions—and making progress towards achieving national net zero commitments. The focus on scope 3 emission reductions will ultimately lead to a significant decrease in demand for fossil fuels creating an existential risk for Enbridge unless it matches the transition.

Europe has scrambled to find natural gas (LNG import increased by 60% in 2022[5]) to fill the hole made by the withdrawal of Russian gas supply. Its gas demand will stay strong through 2023 but is then poised to fall as EU climate and energy security policies curtail gas demand by at least 40% through 2030. High LNG prices have initiated a price response in Asian markets that has led to reduced demand in the past year and, more broadly, expanded and accelerated efforts to expand other energy sources to achieve energy security and create a more stable environment for sustained, low carbon economic growth.[6] These types of global trends and changes are here to stay, creating more uncertainty and volatility in the world's natural gas market.

4 I4PC Energy Disruption backgrounder https://www.investorsforparis.com/Energy-Disruption
5 https://ieefa.org/resources/global-lng-outlook-2023-27
6 Ibid.

ENBRIDGE'S PROBLEMATIC SCOPE 3 REPORTING

Scope 3 emissions represent over four fifths of emissions associated with the company's business and is therefore a key indicator for investors of the transition-related risk the company is exposed to. For investors to be able to assess whether Enbridge is creating shareholder value that is consistent with a net zero pathway, Enbridge needs to start reporting its scope 3 emissions accurately and fully.

Enbridge's current scope 3 reporting is incomplete:

ENBRIDGE'S CURRENT SCOPE 3 REPORTING	COMMENTARY
Enbridge reports on utility customers gas use, employee business air travel, electricity grid transmission and distribution loss	These are legitimate scope 3 emissions for Enbridge, but a small minority of them
The emissions intensity of the energy we deliver	• Framing that makes it sound like these aren't Enbridge's scope 3 emissions, when they are • Enbridge only calculates upstream emissions in this calculation, missing the much larger downstream emissions • Enbridge only discloses an intensity measure rather than reporting in absolute terms so investors can judge the overall emissions trend
Enbridge's contribution to avoidance of third-party emissions (such as renewable power and demand-side management)	Enbridge cherry picks projects from only one side of the ledger, without also accounting for its new projects that increase fossil fuel use on the other side of the ledger, thereby increasing scope 3 emissions by a much greater amount

This incomplete approach does not follow any accepted definition or approach to calculating scope 3 emissions and results in Enbridge falling to report on largest source of its scope 3 emissions associated with its business.

The company's current flawed accounting and disclosure of scope 3 emissions significantly weakens the company's ability to identify and disclose the risk the company faces during the energy transition, thereby also putting its investors at risk. This is of particular significance considering the company is currently expanding its business related to fossil fuels, thereby increasing its transition risk. Decreases in scope 3 emissions will be directly tied to the decreasing consumption of fossil fuels and in limiting its emissions reporting and/or targets to scope 1 and 2, Enbridge is creating a blind spot that fails to address the impact of an energy transition to potential financial impacts to the company's bottom line.

We have heard from Enbridge that increased gas production and more LNG will provide more security and reduce the destabilizing impacts from Putin's war in Ukraine.[7] There is a risk that this perspective is misaligned with how nations have responded to energy insecurity and the destabilization resulting from huge price peaks in the past year.[8] Accordingly, there are signs that the past year's price shocks are accelerating the clean energy transition:

> *"In this next era of the energy transition, it is energy security, not sustainability, that will come at a premium. In the 'energy trilemma' of old, energy affordability and security came as a package—fossil fuels were seen as both dependable and affordable—and it was sustainability that came at a premium. Now, we live in a world where clean energy is the affordable option, and energy security comes with the higher price tag.*
>
> *The good news is that clean energy deployment also supports energy security, and so the quest for greater energy security will ultimately lead to a faster transition."*
>
> —BloomberNEF, Energy Transition in 2023[9]

7 https://www.enbridge.com/~/media/Enb/Documents/Investor-Relations/2023/2023_ENB_Day_CEO_Strategic_Overview_Final.pdf?rev=2047257eb75f46d3a88fb6328eea274a&hash=ABB0FD0F186B772FBF6651260F5170F6

8 I4PC Energy Security backgrounder https://www.investorsforparis.com/Energy-Security

9 https://about.bnef.com/blog/energy-transition-in-2023-into-a-new-era/

Whatever your position on the transition,[10] complete information on scope 3 emissions is a necessary indicator to track trends and alignment.

Other oil and gas companies (see "Peers" section for more details) are using accepted guidance for scope 3 accounting, proving that Enbridge can annually disclose all of its scope 3 emissions using accepted definitions and in absolute terms. Further, the GHG Protocol (the international GHG accounting standard) encourages companies to do so based on the relative size of the scope 3 emissions and the company's business goals, two criteria that apply well in this situation given the large scale of emissions in question and Enbridge's expansion goals.

In contrast, Enbridge's current approach to scope 3 disclosure is incomplete and not following accepted definitions or standards. The result is that Enbridge's current scope 3 reporting gives investors a false sense of security because it characterizes the company's scope 3 emissions as vastly smaller than they are, that they are being addressed and does not reflect the growing emissions associated with the company's fossil fuel growth strategy.

10 I4PC Demand Scenarios backgrounder https://www.investorsforparis.com/Demand-Scenarios

PROPOSAL RATIONALE FOR SHAREHOLDERS

The proposal can help Enbridge address significant material risks to its business. These risks are:

1. **Transition risk:** Scope 3 reporting is critical for investors to be able to assess the greenhouse gas implications of Enbridge's current and future business. A credible process to understand associated scope 3 emissions and sources of reductions for scope 3 emissions will vastly improve the ability to forecast the speed, changes and impacts of the energy transition to Enbridge's business. Conversely, inaccurate scope 3 reporting serves to mask risks and could lead to faulty decision making.

2. **Compliance Risk:** The requested scope 3 reporting for Enbridge will have the benefit of preparing the company for upcoming reporting requirements in the U.S. and for the requests from the financial institutions that Enbridge works with in Canada. Critical to such reporting is aligning methodologies with accepted practices. Failure to do so could result in sanctions.

ENBRIDGE RESPONSE AND REBUTTAL

In its proxy circular (page 125–126) Enbridge includes the opposition statement to the proposal. We have written a more extensive rebuttal to this statement,[11] but here are the most salient points:

- Enbridge tries to explain its failure to properly disclose scope 3 emissions by alleging uncertainty in scope 3 accounting methodology, but this is not supported. The GHG Protocol outlines how companies can report scope 3 emissions even with imperfect data and envisions the ability for companies to restate their emissions baseline as data improves.

- Other companies in the oil and gas sector are reporting scope 3 emissions in absolute terms and using accepted definitions.

- Enbridge's existing scope 3 reporting mis-states those emissions but nevertheless shows that the company already has the data it needs to report properly.

11 https://www.investorsforparis.com/enbridge-scope-3-rebuttal/

PEERS

Many oil and gas companies are reporting and/or including scope 3 emissions in their net zero targets:[12]

- **Reporting:** Other oil and gas companies are reporting scope 3 emissions using accepted definitions, including Suncor, ENGIE, National Grid, Cenovus, Occidental, Chevron, Canadian Natural Resources Limited.

  Suncor is an excellent example of what Enbridge could do as the company acknowledges that doesn't have all the answers yet but is transparent as it works through improving the accuracy of their scope 3 emission reporting.

  TC Energy is an interesting example as it does not yet follow the GHG Protocol for scope 3 emissions, yet provides better transparency and clarity by acknowledging that company is not reporting full range of scope 3 emissions.

- **Targets:** Other oil and gas companies have set absolute and intensity-based targets for reducing scope 3 emissions like Enagas, Eni, Repsol, Shell, bp (intensity), Equinor (intensity).

  Enagas completed in 2022 a full scope 3 emissions assessment using the GHG Protocol, and established scope 3 reduction targets based on a 2021 baseline of 25% by 2030 and 50% by 2040.

12 Scan of O&G sector scope 3 reporting and targets https://www.investorsforparis.com/OG-Scope-3-Emissions-Commitments

ENGAGEMENT WITH ENB

Enbridge has not engaged with us on this proposal. We find evidence of bad faith by the company in printing the proposal in its proxy circular with no spacing and in smaller italicized font, making it hard to read, unlike Enbridge's response.

THE SHAREHOLDER PROPOSAL

ENBRIDGE SHAREHOLDER RESOLUTION #1, SCOPE 3 EMISSIONS DISCLOSURE

RESOLVED: Shareholders request that Enbridge annually disclose all of its scope 3 emissions using accepted definitions and in absolute terms.

SUPPORTING STATEMENT

The Greenhouse Gas Protocol defines scope 3 emissions as:

"All indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions."[13]

If a company's financial viability is dependent on scope 3 emissions being released —as is the case with Enbridge— then it is critical that investors have a full and complete picture of these emissions.

CDP is clear that midstream companies like Enbridge take responsibility for all scope 3 emissions:

"While O&G products are not directly sold by these companies, the emissions from their end use still generates Scope 3 emissions that arise as "a consequence of an organization's operations and activities."[14]

Yet, in its latest Sustainability Report,[15] Enbridge states that:

"Scope 3 GHG emissions result from our utility customers' natural gas use, our employee business air travel, and electricity grid transmission and distribution loss (grid loss)."

This does not align with the internationally accepted Greenhouse Gas Protocol scope 3 definition because Enbridge misses both the upstream and downstream emissions from most of the products that it derives revenue from.

13 https://ghgprotocol.org/sites/default/files/standards/Corporate-Value-Chain-Accounting-Reporing-Standard_041613_2.pdf

14 https://cdn.cdp.net/cdp-production/cms/guidance_docs/pdfs/000/000/469/original/CDP-Scope-3-Category11-Guidance-Oil-Gas.pdf?1643046888 at pg14.

15 https://www.enbridge.com/-/media/Enb/Documents/Reports/Sustainability-Report-2021/Enbridge-SR-2021.pdf

Enbridge does report a metric for the upstream emissions intensity "of the energy we deliver." But, Enbridge does not take responsibility for these emissions as its scope 3 emissions. It also does not account for the downstream emissions of the energy and does not report the numbers in absolute terms so that investors can see their scale.

Enbridge claims a "contribution to avoidance of third-party emissions" via various green projects without also disclosing the other side of the ledger—the projects it is building that expand fossil fuel delivery that thereby expand scope 3 emissions.

Enbridge takes the same approach to scope 3 emissions in its Sustainability-Linked Bond Framework[16] that it published as part of bond issuances, saying "we are doing our part to reduce scope 3 emissions," while again using an incomplete definition of scope 3 emissions and not disclosing increased scope 3 emissions from expansion of fossil fuel delivery.

Investors in Enbridge equities and bonds are thereby left uninformed regarding the true nature of the company's scope 3 emissions and the implications both for Enbridge's role in the energy transition and for meeting its stated net zero by 2050 commitment.

To address this uncertainty, investors request a full and transparent annual accounting in absolute emissions terms of all of Enbridge's scope 3 emissions using accepted definitions.

We respectfully request that shareholders vote FOR this proposal.

16 https://www.enbridge.com/~/media/Enb/Documents/Reports/Sustainability%20Report%202020/SLB-Framework_2021_FINAL.pdf