INVESTORS *for* PARIS COMPLIANCE

MARCH 2024

INVESTOR BRIEF: TSX, NYSE: ENB

CONTEXTUAL INFORMATION REGARDING SCOPE 3 EMISSIONS SHAREHOLDER RESOLUTION FILED AT ENBRIDGE

VOTING INFORMATION

Meeting date: **May 8, 2024**
Proxy cut off date: Intermediaries must receive instructions by **1:30 pm MDT on May 6, 2024** regardless of the voting method you choose.
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.

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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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BACKGROUND

If scope 3 category 11 emissions reporting is material to investors evaluating the current and future revenue potential of a company, it should be done. This is clearly true with Enbridge.

In the oil and gas sector, scope 3 greenhouse gas emissions occur from the lifecycle of a product from production (upstream) through transportation (midstream) to final use (downstream). 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 by providing services related to fossil fuels. Most fossil fuels end up being burned, producing end use scope 3 emissions (also known as category 11 scope 3 emissions[1]) that make up over 80% of the overall emissions from fossil fuel use.

At issue is whether the company needs to account for the downstream emissions of the oil and gas products it moves with its pipeline infrastructure service. Enbridge's business model relies almost entirely on the release of category 11 scope 3 emissions. *Without them, it has almost no revenue*. As a result, it is entirely "reasonable"[2] to expect Enbridge to report its scope 3 emissions accurately and completely. The tests of reasonableness and centrality to the company's business are at the very core of materiality, and this triggers, under financial and greenhouse gas reporting guidance, a requirement to report.

Reporting scope 3 emissions provides context for the trend of a company's relevant climate actions and acts as an indicator of a company's positioning in the energy transition. A company with high or increasing scope 3 emissions is at higher business risk during the climate transition than one with low or decreasing scope 3 emissions. That risk stems from the faster than predicted global energy transition[3] which will see oil and gas demand plateau and then decrease as capital is reallocated to non-fossil fuel sources of energy.[4]

Yet Enbridge continues to fail to provide the full scope 3 reporting necessary for this assessment despite nearly 24.5% of investors supporting, and 4% of investors abstaining on Investors for Paris Compliance's scope 3 resolution at last year's AGM and is why we are re-filing the resolution this year.

1 GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

2 IFRS definition of materiality "Information is material if omitting, misstating, or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. https://www.ifrs.org/content/dam/ifrs/project/definition-of-materiality/definition-of-material-feedback-statement.pdf

SEC guidance related to materiality states: "Materiality concerns the significance of an item to users of a registrant's financial statements. A matter is "material" if there is a substantial likelihood that a reasonable person would consider it important. In its Statement of Financial Accounting Concepts No. 2, the FASB stated the essence of the concept of materiality as follows:

The omission or misstatement of an item in a financial report is material if, in the light of surrounding circumstances, the magnitude of the item is such that it is probable that the judgment of a reasonable person relying upon the report would have been changed or influenced by the inclusion or correction of the item." https://www.sec.gov/interps/account/sab99.htm

3 https://rmi.org/the-energy-transition-in-five-charts-and-not-too-many-numbers/

4 https://rmi.org/insight/the-great-reallocation/

Recognizing the importance of disclosure to enable investors to understand the basis for measurement of scope 3 emissions, international regulators and standard setters have initiated processes to require scope 3 reporting in company's financial reporting. Significant actions include the International Sustainability Standards Board new framework including scope 3 reporting;[5] mandatory scope 3 reporting for non-EU based companies doing business in the EU;[6] California has enacted climate-related reporting statutes that will require certain entities doing business in California to make public disclosures of their scope 1, 2 and 3 greenhouse gas emissions;[7] in Canada, large financial institutions will have scope 3 disclosure requirements starting in 2024.[8] Even though the SEC is not yet including scope 3 in its climate reporting rules, the trend is clear that scope 3 reporting is becoming mandatory.

ENBRIDGE'S PROBLEMATIC END USE SCOPE 3 REPORTING

A company with high or increasing scope 3 emissions is at higher business risk during this transition than one with low or decreasing scope 3 emissions. Scope 3 end use or category 11 emissions are defined as use of goods or services,[9] yet Enbridge does not report the end use emissions associated with the oil and gas products its services (transmission business) enable. For investors to be able to assess whether Enbridge can continue to create shareholder value that is consistent with its net zero commitment and the energy transition, Enbridge needs to report its end use scope 3 emissions accurately and fully.

Because the company refuses to calculate and disclose these emissions, I4PC has calculated our own estimate using publicly available metrics coupled with accepted emissions factors.[10] This is a rough calculation that provides a general estimate of the trend line for the company's scope 3 emissions. The company's investments to reduce scope 3 emissions by investing in renewable energy projects and supporting the energy efficiency activities of its utility customers (.5 MT of reductions) have hardly impacted the significant increase in end use scope 3 emissions (349 MT or 76% increase since 2014). These dramatically increasing emissions raise concerns about the company's capacity to transition and point towards the risk of stranded assets.

5 https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/ifrs-s2-climate-related-disclosures.html/content/dam/ifrs/publications/html-standards-issb/english/2023/issued/issbs2/

6 https://www.eenews.net/articles/us-companies-scramble-ahead-of-eu-climate-disclosure-rules/

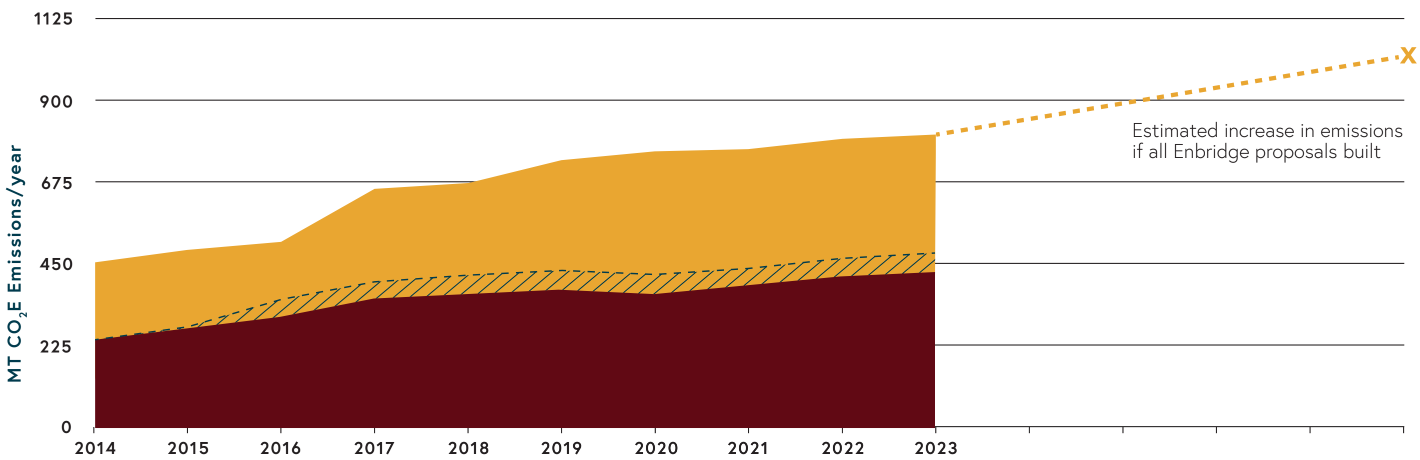
7 https://www.thomsonreuters.com/en-us/posts/esg/california-climate-reporting-law/

8 https://www.osfi-bsif.gc.ca/Eng/fi-if/rg-ro/gdn-ort/gl-ld/Pages/b15-dft.aspx

9 "Category 11: Use of sold products: This category includes emissions from the use of goods and services sold" GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard https://ghgprotocol.org/sites/default/files/standards/Corporate-Value-Chain-Accounting-Reporing-Standard_041613_2.pdf

10 I4PC INVESTOR BRIEF: Estimating Enbridge's Scope 3 Emissions https://www.investorsforparis.com/enbridge-2024/

ESTIMATING ENBRIDGE SCOPE 3 CATEGORY 11 EMISSIONS



Gas utility scope 3 emissions included visually for comparison and are not additional to the gas transmission esimate to avoid double counting.

Enbridge's scope 3 category 11 emissions have grown by about 76% since 2014, with gas-related emissions growing by about 75%. If all planned, proposed and/or approved future gas transmission projects proceed, Enbridge's scope 3 category 11 emissions would rise by an additional 27% from 2023 levels.

For a sense of scale, note that Enbridge currently reports its end use scope 3 emissions as 53.8 MT (from its gas utility scope 3) which is only 7% of Enbridge's estimated overall end use emissions. Enbridge also plans to grow its gas transmission capacity by approximately 10.8 bcf/ day,[11] which will result in a 27% increase with an additional 216 MT of end use emissions.

Enbridge frames its investment in gas infrastructure as a diversification strategy that is part of its response to the climate transition. However, Enbridge's end use scope 3 emissions show that natural gas use produces significant greenhouse gas emissions and shows the fallacy in claims that gas is a climate-friendly substitute — gas is a fossil fuel that is contributing to growing global emissions.

Enbridge could be reporting more credible and accurate end use scope 3 emissions if it used the reporting guidance that applies to Enbridge's emissions and sustainability reporting. That guidance includes:

- CDP provides explicit guidance to midstream companies that scope 3 reporting should include category 11 emissions for "from the use of goods and services sold by the reporting company."[12]

11 https://www.enbridge.com/projects-and-infrastructure
12 CDP Technical Note: Relevance of Scope 3 Categories by Sector

"Accountability can also be complex for companies that handle O&G products without actually owning them (e.g. pipelines and storage, gas distribution networks). 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, but that arises from GHG sources that are not owned or controlled by the [reporting] organization." Much like the O&G producers, these emissions can constitute significant and substantial emissions. Reporting scope 3 category 11 emissions for handled O&G products places these companies on the same footing as the rest of the O&G value chain and resolves a fundamental unfairness for the rest of the industry."

– CDP
Technical Note: Guidance methodology for estimation of Scope 3 category 11 emissions for oil and gas companies pg 14

- The GHG Protocol, cited by the CDP as additional guidance for the CDP climate questionnaire, encourages companies to report scope 3 emissions 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 planned gas transmission expansion.[13]

- Enbridge cites the GRI Universal Standards, and GRI 11 Oil and Gas Sector Standard as the standard for its Sustainability report.[14] These two GRI standards are clear that companies should report on scope 3 emissions including scope 3 emissions "related to the use of oil and gas products."[15]

- Enbridge is a company that is engaged in the investor-led Climate Engagement Canada process which has set a benchmark indicating that use of sold products is applicable for scope 3 calculation for oil and gas distribution companies.[16]

As our analysis shows, Enbridge's failure to follow accepted guidance in calculating end use scope 3 emissions is providing inaccurate and incomplete reporting related to the end use emissions associated with its pipeline and transmission services. The result is Enbridge has a material gap in reporting emissions associated with its business. This omission obscures a growing source of risk that is critical for the company, shareholders, and others in assessing Enbridge's relative position in a dynamic and changing energy market.

Since 2020 Enbridge has made a commitment to improve its scope 3 emissions, stating, "our long-term goal is to expand the scope of our public disclosure of Scope 3 emissions within the next 2-3 years."[17] In that time, it has adopted two scope 3 metrics — measure the upstream emissions intensity of the energy delivered based on customers' lifecycle emission and quantify how the company's low-carbon investments help cut third-party emissions. Yet more than 3 years after this commitment was first made by Enbridge, the company is failing to accurately and completely report end use scope 3 emissions, the most material source of its scope 3 emissions. This exclusion omits and obscures a source of risk that is critical for the company, shareholders, and others in assessing Enbridge's relative position in a dynamic and changing energy market.

"After their heyday between 2011 and 2021, the world's gas markets have entered a new and more uncertain period that is likely to be characterised by slower growth and higher volatility — and could lead to a peak in global demand by the end of this decade"

IEA medium-term gas report 2023

13 GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard
14 Enbridge 2022 Sustainability report page 4 "Reporting Standards"
15 GRI 11 Oil and Gas Sector Standard
16 CEC Net Zero Benchmark
17 Enbridge CDP 2020-2023 reports

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 scope 3 reporting requirements. Critical to such reporting is following accepted methodologies and guidance to ensure compliance with new rules.

3. **Reputational risk:** Enbridge risks reputational damage to its credibility as a sustainability leader if it fails to follow the accepted guidance of the most credible reporting standards in the world. It adds to this risk by not delivering on its 2020 commitment to expand its scope 3 reporting.

PEERS

Many midstream and/or gas distributing companies are reporting and/or including scope 3 emissions in their net zero targets. Below is a summary of the scope 3 reporting of Enbridge's peers:

MID-STREAM AND/OR GAS DISTRIBUTION/ UTILITY COMPANIES	COUNTRY/ REGION	CATEGORIES OF SCOPE 3 EMISSION REPORTED AND IDENTIFIED AS RELEVANT	CEC OR CA 100+ CDP SCORE FOR GHG REPORTING (SHORT-TERM, MEDIUM-TERM, AND LONG-TERM)	SOURCE
Enbridge	Canada	Categories 1-3,11 (only distribution/ utility), and 15	No, Partial, Partial	CDP Submission
TC Energy	Canada	Reporting: Categories 3, 5-6, & 8 Relevant emission category, not yet reported: category 1-2, 4, 7, 11, 13, & 15	Partial, Partial, Partial	CDP Submission
Kinder Morgan	US	No scope 3 reporting	n/a	CDP Submission
ENGIE	France	Categories 1-3,11, & 15	Yes, Partial, Partial	CDP Submission
National Grid	UK (US gas utility)	Categories 1, 3, 5--7, & 11	No, Partial, Partial	CDP Submission
Centrica	UK	Categories 3 & 11	No, Yes, Yes	CDP Submission
Naturgy Energy	EU (Spain)	Categories 1 -3, 6-7, 11 & 15	Yes, Partial, Yes	CDP Submission
Enagas	EU (Spain)	Categories 1-7, 9, 11, & 15	n/a	CDP Submission
SNAM	EU (Italy)	Category 1-8, & 15	n/a	CDP Submission

ENBRIDGE RESPONSE AND REBUTTAL

In its proxy circular (page 123-124) Enbridge includes the opposition statement to the proposal that claims, "the proponent's request to disclose what is currently impossible to reliably provide carries significantly more risks and costs than benefit to our shareholders and to our Company." Our own estimate of Enbridge's emissions proves that this disclosure is indeed possible, these emissions are material and the company would need to provide evidence that our calculation is significantly incorrect, or more importantly, fails to adequately describe the trend line, which is the key factor.

Enbridge claim: "The proposal requests that Enbridge also report category 11 emissions associated with our midstream transportation business. This is problematic because our Liquids Pipelines and Gas Transmission & Midstream businesses are providing a transportation service, not selling a product."

Response: As stated above, scope 3 end use or category 11 emissions is defined as use of goods and/or services sold. This is the definition used in the guidance that applies to Enbridge's CDP reporting, its sustainability reporting and to its engagement with the investors in Climate Engagement Canada. It is disingenuous to repeatedly ignore the clear guidance that applies to Enbridge's transportation services.

Enbridge claim: "However, emissions are just one element of the total mix of information that investors look for to make prudent and informed investment decisions, and we do not believe that any scope 3 emissions are material to Enbridge."

Response: As discussed above, these category 11 scope 3 emissions are necessary for most of the income that Enbridge earns from its transportation service — Enbridge's business model relies almost entirely on the release of these emissions. Without them, it has almost no revenue. As a result, it is entirely "reasonable" to expect Enbridge to report its scope 3 emissions accurately and completely. Reasonableness and centrality to the company's business are at the very core of materiality and triggers, under financial and greenhouse gas reporting guidance, a requirement to report.

That these emissions are high and continuing to increase informs investors regarding the company's business risk during the climate transition.

Enbridge claim: "Most importantly, there have been no clear regulatory guidelines or widely accepted methodologies developed to report on downstream emissions."

Response: This claim conflates regulation and guidance. While regulation is on its way, there is already widely accepted guidance for scope 3 reporting outlined above. The GHG Protocol provides potential calculation methodologies, including the use of industry averages and proxy data if necessary. Enbridge also already collects data about the products moving on and off its system because it charges customers for these services.

Appendix B of the GHG Protocol lays out provisions for sensitivity analyses so that companies like Enbridge can account for different estimates for emissions from the use of products, rather than to use this uncertainty as a reason to not report on these emissions. The GHG Protocol also anticipates companies potentially recalculating base year emissions when making data quality improvements over time.

Enbridge claim: "In 2021, we added a new Scope 3 metric regarding the emissions intensity of the energy we deliver."

Response: This metric only includes a portion of its scope 3 emissions, namely the upstream emissions associated with the energy. But it shows that Enbridge already has the information it needs for full disclosure because calculating an intensity metric requires that information. It should apply readily available emissions factors to add the downstream emissions of that energy, and report that in absolute terms so that investors are aware of the overall scale. Doing so annually would then inform investors about the trend of increasing scope 3 emissions.

Enbridge claim: "We are proud of our ESG practices and performance and continue to be recognized as a leader among our peers."

Response: As a company with a net zero commitment, it is problematic that Enbridge is not providing investors with the necessary information to track the company's trajectory towards this goal. Rather than hide behind false claims of methodological barriers, the company should be demonstrating leadership in information disclosure. As the energy transition accelerates, it is prudent for the company to be active in leading the development of a credible midstream scope 3 approach with investors, relevant companies, and organizations.

ENGAGEMENT WITH ENBRIDGE

In a meeting arranged by another Enbridge investor, we had one brief meeting with Enbridge in January 2024 prior to submitting the resolution in which Enbridge made no changes to the positions it articulated in response to last year's resolution. The company has not reached out to us since the filing.

THE SHAREHOLDER PROPOSAL

ENBRIDGE SHAREHOLDER RESOLUTION #1, SCOPE 3 EMISSIONS DISCLOSURE

RESOLVED: Shareholders request that Enbridge annually disclose all 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."[18]

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."[19]

Yet, in its latest Sustainability Report[20], 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.

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.

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

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

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

Enbridge takes the same approach to scope 3 emissions in its Sustainability-Linked Bond Framework[21] 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.

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