

Shareholder proposal requesting disclosure of Scope 3 emissions at Enbridge Inc.

June 2024

Company: Enbridge Inc. (Enbridge)

Meeting date: May 8, 2024

Proposal(s): Item 5: Disclose the company's Scope 3 emissions

How the funds voted

At the 2024 annual meeting of Enbridge, a Canadian diversified energy company, the Vanguard-advised funds voted against a shareholder proposal requesting annual disclosure of all material Scope 3 greenhouse gas (GHG) emissions.¹

The funds' proxy voting policies

As articulated in the funds' proxy voting policies, the Vanguard-advised funds evaluate all shareholder proposals on a case-by-case basis, taking into consideration the facts and circumstances at the company in question. At companies where climate matters present material risks, the funds may support shareholder proposals that seek reasonable and effective disclosure of Scopes 1 and 2 emissions data and relevant categories of Scope 3 data. The funds may also support proposals that ask companies to pursue and disclose climate risk

mitigation targets when material to a company's stated long-term strategy.

We believe that boards that are most effective in safeguarding long-term shareholder returns from material climate-related risks demonstrate:

Relevant risk competence. Where climate matters are material to a company, we look for boards to be competent in relevant risks so that they can foster healthy debate, challenge management assumptions, and make informed decisions.

Robust oversight and mitigation of material climate risks. We look to understand boards' processes for overseeing and mitigating material risks on behalf of shareholders. Highly engaged and effective boards are well positioned to ensure that material issues, including material climate risks and opportunities, are considered in both short- and long-term planning.

Effective disclosure of material climate risks and attendant oversight practices. We look for companies to disclose to the market how their board oversees material climate risks and related climate strategies in alignment with accepted investor-oriented disclosure frameworks such as the Task Force on Climate-related Financial Disclosures and its successor framework.

¹ Vanguard's Investment Stewardship program is responsible for proxy voting and engagement on behalf of the quantitative and index equity portfolios advised by Vanguard (together, "Vanguard-advised funds"). Vanguard's externally managed portfolios are managed by unaffiliated third-party investment advisors, and proxy voting and engagement for those portfolios are conducted by their respective advisors. As such, throughout this document, "we" and "the funds" are used to refer to Vanguard's Investment Stewardship program and Vanguard-advised funds, respectively.

Analysis and voting rationale

Vanguard's Investment Stewardship team has maintained an ongoing dialogue with Enbridge leaders over several years, with many of these conversations including the company's independent board chair. The board's approach to oversight of material risks, including how the board oversees the company's climate strategy, has been one of the topics discussed. Ahead of Enbridge's 2024 annual meeting, the company received a shareholder proposal requesting the company annually disclose all material Scope 3 GHG emissions.

Given that Enbridge already disclosed certain categories of their Scope 3 emissions, we engaged with the proponent to better understand their concerns with Enbridge's existing disclosures. During this conversation and in their supporting statement for the proposal, the proponent identified "incomplete" reporting of downstream emissions from the use of sold products transported by the company (Scope 3 Category 11 emissions). While the company did disclose these Scope 3 emissions related to its utility business, it did not disclose these emissions associated with the midstream transportation business (in which other companies' GHG-intensive products are transported through Enbridge's pipeline network). The proponent expressed their perspective that Scope 3 Category 11 emissions could be seen as an indicator of the company's direction concerning the climate transition.

In Enbridge's 2024 management information circular, the company indicated that Scope 3 emissions are not a material risk for the company, stating that emissions are just one element of the total mix of information that investors look for to make prudent and informed

investment decisions. We engaged with members of the Enbridge management team to better understand how the board determines the materiality of risks and the company's approach to preparing for potential changes to climate-related regulations and disclosure standards. Company leaders shared that determining the financial materiality of Scope 3 emissions is challenging for a midstream business such as Enbridge since it does not own any of the products it transports. In this vein, company leaders noted that it is complicated to establish a credible, intellectually honest, and decision-useful methodology for determining these emissions, given the potential double counting of upstream producers' and midstream companies' emissions.

Our review of Enbridge's disclosures found them to be consistent with those of its peers. Additionally, in the 2024 management information circular, the company provided increased disclosure and commentary on its assessment of all 15 categories of Scope 3 emissions, describing the applicability of each category to its business, outlining its plans for reporting in each category, and articulating its ongoing efforts to enhance data availability and quality over time.

Ultimately, given the board's determination that Scope 3 emissions were not material to Enbridge, and after determining that the company's disclosures were sufficiently robust, the Vanguard-advised funds did not support the shareholder proposal requesting annual disclosure of all material Scope 3 GHG emissions data. We plan to continue engaging with Enbridge leaders to inform our understanding of the board's governance and oversight processes and how the company is being managed to deliver long-term shareholder returns in an evolving market.

Vanguard publishes information regarding its voting and engagement activities, including the funds' proxy voting policies, Insights, and quarterly reports, to promote good corporate governance practices and to provide public companies and investors with our perspectives on important governance topics and key votes. This is part of our effort to provide useful disclosure of Vanguard's investment stewardship activities. We aim to provide clarity on Vanguard's positions on governance matters beyond what a policy document or a single vote can provide.

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