

Lobbying proposal at Cenovus Energy

December 2023

Company: Cenovus Energy Inc. (Cenovus)

Meeting date: April 26, 2023

Proposal: Item 4: Report on Lobbying and Policy Advocacy with its Net Zero Goal

How the funds voted

At the 2023 annual meeting for Cenovus, a Canada-based energy company, the Vanguard-advised funds supported a shareholder proposal requesting a report on whether and how the company aligns its lobbying and public policy advocacy activities with the company's stated commitment to achieve net zero operational emissions by 2050.¹

The funds' proxy voting policies

We believe that boards are responsible for oversight of a company's long-term strategy and material risks. Vanguard's Investment Stewardship team regularly assesses how well a board of directors understands its company's strategy and the board's role in identifying,

mitigating, and disclosing material risks. Investors benefit when the market has clear, decision-useful disclosure of material risks, including any material environmental, social, or governance risks. Clear, consistent, and comparable disclosure can better enable pricing of material risks into securities, a key feature of a healthy and efficient stock market upon which investors depend. If we identify gaps in company disclosure or potential disconnects between disclosure and a company's long-term strategy, the funds may vote in favor of proposals calling for greater disclosure or oversight of material risks.

As articulated in the funds' proxy voting policies, when evaluating shareholder proposals, we analyze the materiality of the risk the proposal seeks to address, the company's current practices and disclosure related to the risk, the board's oversight of the risk, and the reasonableness and prescriptiveness of the proposal.² If we identify gaps in the company's disclosures, the funds may support a shareholder proposal that seeks enhanced reporting of the company's approach to addressing a material risk. The funds do not support shareholder proposals that seek to influence or dictate specific

- 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.
- ² Refer to the Vanguard-advised funds' U.S. policy for more details: [Proxy voting policy for U.S. portfolio companies \(vanguard.com\)](https://www.vanguard.com/proxy-voting-policy-for-u.s.-portfolio-companies)

company strategy or operating actions, as we believe that a well-composed board and properly overseen and incentivized company executives are better positioned to determine the appropriate approach for any particular company. Additionally, the funds do not support shareholder proposals that seek actions that are duplicative of existing company practices or introduce undue costs and/or risks to shareholders.

Analysis and voting rationale

At the 2023 annual meeting for Cenovus, the Vanguard-advised funds voted for a management-supported shareholder proposal requesting a report on whether and how the company aligns its lobbying and public policy advocacy activities with its stated goal to achieve net zero emissions from their operations by 2050.

In advance of Cenovus's 2023 annual meeting, we engaged with company leaders to discuss board composition and the board's role in overseeing material risks. With respect to the shareholder proposal, during our meeting, company leaders stated that they believe it was reasonable and in the interest of shareholders to understand whether the company's lobbying activities were consistent with the company's climate strategy. Cenovus leaders agreed that the proposal was not prescriptive and did not seek to influence company strategy, which included a commitment to reach net zero operations by 2050, inclusive of Scope 1 and 2 emissions, and support of Canada's Paris Agreement commitments.

Company leaders shared that they had engaged with the proponent, and while the company disagreed with certain points in the proponent's

supporting statement, company leaders acknowledged the benefits of the enhanced disclosure requested in the proposal. Cenovus leaders agreed that shareholders would benefit from understanding the company's lobbying principles, including how support of indirect lobbying was determined and the company's approach to instances of misalignment between its strategy and third parties that lobby on its behalf. Company leaders also highlighted the board's role in overseeing these processes through the Safety, Sustainability and Reserves Committee. Cenovus leaders noted that additional clarity on its lobbying and public policy advocacy practices would provide shareholders with additional information needed to understand how the company's direct and indirect lobbying and public policy advocacy activities align with Cenovus's goal of reaching net zero by 2050.

Based on our analysis and engagement, as well as Cenovus leaders' recommendation that shareholders would benefit from the requested disclosure, the Vanguard-advised funds supported the shareholder proposal.

What we look for from companies on this matter

We look for portfolio company boards to effectively oversee material risks, including material climate risks, and to disclose their oversight process of these risks to shareholders. We believe that boards have a responsibility to be aware of material risks and opportunities in the course of making informed, long-term decisions on behalf of company shareholders.

Vanguard publishes Investment Stewardship Policy and Voting Insights 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 growing effort to enhance disclosure of Vanguard's investment stewardship voting and engagement activities. We aim to provide additional clarity on Vanguard's stance on governance matters beyond what a policy document or a single vote can do. Insights should be viewed in conjunction with the most recent region- and country-specific voting policies.

The funds for which Vanguard acts as investment advisor (Vanguard-advised funds) retain the authority to vote proxies that the funds receive. To facilitate the funds' proxy voting, the boards of the Vanguard-advised funds have adopted Proxy Voting Procedures and Policies that reflect the fund boards' instructions governing proxy voting. The boards of the funds that are advised by managers not affiliated with Vanguard (external managers) have delegated the authority to vote proxies related to the funds' portfolio securities to their respective investment advisor(s). Each external manager votes such proxies in accordance with its own proxy voting policies and procedures, which are reviewed and approved by the fund board annually.



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