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CVE.TO - Cenovus Energy Inc Annual Shareholders Meeting

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## CORPORATE PARTICIPANTS

**Alan Craig Reid** *Cenovus Energy Inc. - Executive VP of Stakeholder Engagement, Safety & Legal and General Counsel*

**Alexander J. Pourbaix** *Cenovus Energy Inc. - CEO, President & Director*

**Patrick Darold Daniel** *Cenovus Energy Inc. - Chairman of the Board*

## CONFERENCE CALL PARTICIPANTS

**Clint Mooney**

**Dean McCluskey**

**Linda Lee**

**Sonja Lonson**

**Winnie Ho**

**Laura Gosset**

## PRESENTATION

**Patrick Darold Daniel** - *Cenovus Energy Inc. - Chairman of the Board*

Good afternoon, ladies and gentlemen. You're unusually quiet. This is an easy meeting to start. I'm Patrick Daniel. I'm Chair of the Board of Cenovus Energy, and it's my pleasure to welcome you here this afternoon to the Annual Meeting of Shareholders.

We do have Cenovus' personnel here who've been designated as our life safety staff for the meeting in the likely event -- unlikely event of an alarm, they're going to make themselves known and they'll help you find an exit safely.

As you know, annual meetings, by their very design, are formal in nature, but the formal portion of the meeting is going to be followed by management's presentation and a chance for more informal discussion of the business. So don't feel -- and don't let that formality stop you from participating later.

Before we start the formal portion of the meeting, I'd just like to say a few words about our board renewal process. As we continue to renew the composition of the Board, I'm pleased that Jane Kinney has agreed to stand for nomination at today's meeting. If elected, Jane will be a great addition, bringing board-level experience and perspective from the finance industry as well as extensive risk management expertise. So with this new nomination as well as 7 new directors over the past three years, Cenovus has made significant changes to the Board and demonstrated, in my view, a very robust approach to board renewal.

At this point, I'd also like to recognize Charlie Rampacek and Colin Taylor for their time in the Board as they will not be standing for reelection. Both Charlie and Colin have been directors of Cenovus since inception in 2009.

So with that brief introduction, let me now call the formal meeting to order. In accordance with Cenovus' bylaws, I'll chair the meeting, and Gary Molnar, on my immediate left, our Corporate Secretary, will act as secretary of the meeting. I'm going to begin with introductions of our Board of Directors, then the Cenovus leadership team and the head table. I'd like all directors to stand, if you would, when introduced and remain standing. So in addition to myself and Alex Pourbaix, our President and CEO who is here at the head table and seated on my far left, in the front row are the following directors: Sue Dabarno; Hal Kvisle; Steve Leer; Keith MacPhail; Rich Marcogliese; Claude Mongeau; Wayne Thomson; Rhonda Zygocki; and also in the front row are new nominee Jane Kinney; and retiring member Charlie Rampacek. Colin Taylor was unable to attend today. As I mentioned, he is not standing for reelection. So this is your Board of Directors.



At the head table, starting on my far left, we have Alex Pourbaix, Director and President and CEO who, I'm sure, you all know; Jon McKenzie, our Executive Vice President and Chief Financial Officer; and of course, beside me, Gary Molnar, our Vice President, Legal and Corporate Secretary. The other members of the Cenovus leadership team in attendance today are, and again, I ask you to stand again, please: Harbir Chhina, Executive Vice President and Chief Technology Officer; Keith Chiasson, Executive Vice President, Downstream; Al Reid, Executive Vice President, Stakeholder Engagement Safety, Legal and General Counsel, and I'm out of breath after that title, Al; Kam Sandhar, Senior Vice President, Strategy and Corporate Development; Sarah Walters, Senior Vice President of Corporate Services; and Drew Zieglgansberger, Executive Vice President, Upstream. And this is the executive team of Cenovus. Thank you.

With us today representing our auditors, PricewaterhouseCoopers, is Rob Hawley. Rob, where are you? Thanks, Rob.

If there's no objection, I appoint Stephen Bandola and Tara Israelson from Computershare Investor Services to act as scrutineers for the meeting.

The business of today's meeting is described in the Notice of Meeting and the management information circular dated March 1, 2019, and that was delivered and filed in advance of the meeting. But to summarize, the business of the meeting is to receive the audited financial statements for the year-end December 31, 2018, to consider and vote on 4 items as set forth on pages 5, 6 and 7 of the circular: firstly, the appointment of auditors; the election of directors; the nonbinding advisory vote on executive compensation; and the shareholder proposal, which will be more fully described later. Once the formal business of the meeting is complete, Alex Pourbaix will review our 2018 financial and operational performance and then provide an overview of priorities for 2019 and, at that point, open the floor for questions.

I've been advised by the secretary that Notice of the Annual Meeting was properly given and a quorum is present today. Accordingly, I declare the meeting properly called and constituted for the transaction of business. So I'll now proceed with that formal business.

For this portion of the meeting, please remember that only registered shareholders, proxyholders are entitled to participate. Registered shareholders and proxyholders were given a green admittance card at the registration table today. If you wish to speak during the meeting, please come to the microphone located in the aisle. Any questions not related to the formal part of the business, I'll ask you to hold until after Alex comments later on.

So the first item of business is to receive the consolidated financial statements and auditor's report for the year ended December 31. Copies of that annual report containing the audited financial statements were delivered to shareholders in advance of the meeting, and additional copies are available at the information table in the lobby.

So let's now move to the voting items on the agenda. Voting is going to be conducted via ballot. Each of the 4 voting items are on 1 yellow ballot form. So if you're a shareholder or proxyholder and you have not yet voted, you should have received a yellow ballot form when you registered. If you did not receive one, please raise your hand now and the scrutineers will find you. And because of the lights for the webcast in my eyes, I'm not going to be able to see raised hands all that well, but I don't see any so I assume everybody has their ballots.

We're going to present the first 3 voting items as one motion, and we'll open the floor for discussion before the vote is taken. After the vote for those 3 items is concluded, the shareholder proposal will be presented, opened for discussion and then voted on separately. The completed ballots will be collected after the shareholder proposal.

May have a motion please?

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### Sonja Lonson

Mr. Chair, my name is Sonja Lonson, and I'm a Cenovus shareholder. I move for a vote on each of, item 1, to appoint auditors; item 2, to elect directors; and item 3, a non-binding advisory resolution to approve the corporation's approach to executive compensation, all as set forth on Pages 5, 6 and 7 of the management information circular for this meeting.

**Patrick Darold Daniel** - *Cenovus Energy Inc. - Chairman of the Board*

Thank you, Ms. Lonson. Is there a seconder for the motion?

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**Linda Lee**

Mr. Chair, my name is Linda Lee, and I'm a Cenovus shareholder, and I second the motion.

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**Patrick Darold Daniel** - *Cenovus Energy Inc. - Chairman of the Board*

Thank you, Ms. Lee. Is there any discussion on the motion?

So I now call for the vote. For those voting today, please indicate your vote in respect of each of the first 3 items on your ballot form, all of which have been moved and seconded.

The next item of business is the shareholder proposal submitted for consideration. The shareholder proposal was submitted by a development capital fund in Québec referred to as Fonds de solidarité des travailleurs du Québec, FTQ. The shareholder proposal and related statements are set out in schedule A of the circular.

And I'd now invite Laura Gosset of Shareholder Association for Research & Education to make the motion on behalf of Fonds de solidarité. Laura?

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**Laura Gosset**

Good afternoon. Thank you. My name is Laura Gosset from the Shareholder Association for Research & Education, and I'm pleased to be here representing the Fonds de solidarité des travailleurs du Québec, FTQ, who has filed this shareholder proposal with the company.

Our shareholder proposal asks Cenovus to adopt targets that address the company's key climate-related risks and opportunities over the medium to long term. We request that these targets be quantitative, consistent with the goal of the Paris Agreement to limit global average temperature increase to well below 2 degrees Celsius and that the company report progress against such targets to shareholders on an annual basis. I won't read out the proposal, but I will share some -- briefly share some comments on the context of our proposal.

I'll start with the importance of addressing climate-related risks and opportunities for a business like Cenovus. Climate change is one of the largest systemic risks facing the Canadian economy. A growing recognition of this risk means that there is increasing scrutiny being placed on the greenhouse gas emissions associated with oil and gas production, including a concern for the amount of methane leaking into the atmosphere, for instance. It is clear that there are opportunities for companies that are positioning themselves to have a competitive advantage in a low-carbon future. As long-term institutional investors, we know that neither we nor the companies that we invest in can wait to act.

Our proposal requests climate targets, something that Cenovus has had before. The company set greenhouse gas emissions reduction target in 2016, but this target was subsequently abandoned, and there was no explanation offered as to why. And finally, I'll say that our proposal is supported by industry guidance and best practice. Many of you will already be familiar with the widely recognized guidance of the Task Force on Climate-related Financial Disclosures or the TCFD.

Targets are a key element of the TCFD recommendations. The TCFD asks that companies disclose the targets used to assess and manage relevant climate-related risks and opportunities. And there are already many examples of energy companies disclosing climate-related targets and performance against those targets, both in Canada and internationally. We commend Cenovus for the actions it has already taken to address climate change. We are asking the company to go beyond a general commitment to reducing emissions and to help us understand what that commitment actually looks like.



Therefore, we move that the company set and publish targets to address Cenovus' key climate-related risks and opportunities that are aligned with the goal of the Paris Agreement to limit global average temperature increase to well below 2 degrees Celsius. Thank you.

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**Patrick Darold Daniel** - *Cenovus Energy Inc. - Chairman of the Board*

Thank you, Miss Gosset. Is there a seconder for the motion?

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**Clint Mooney**

My name is Reverend Clint Mooney. I'm a minister here in Calgary, and I am a shareholder, but I'm here to represent -- on proxy from Bloor Street United Church in Toronto, and I second the motion.

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**Patrick Darold Daniel** - *Cenovus Energy Inc. - Chairman of the Board*

Thank you, Reverend Mooney. As Chair, I'd like to inform you that the Board of Directors has recommended against this proposal. The reasons for our position are outlined in appendix A of the management circular. Alex Pourbaix

(technical difficulty)

social and environmental and governance strategy in his remarks, including the issue around greenhouse gas emissions and target setting and, more fully, will address that, like I say, when we get to his remarks at the end of the meeting or after the formal part of the meeting.

Before we get there though, is there any further discussion among those in the room with regard to the motion put forward? Please indicate your vote in respect to the last item on your ballot form, and I would then ask the scrutineers to collect the ballots. Please raise your completed ballot in the air so that they can be collected by the scrutineers. And while we're waiting for the scrutineers to count the voting results from those ballots, we'd like to show you a short photomontage of the operations of Cenovus.

(presentation)

In order for today's resolutions to be passed, the approval by a simple majority of the votes cast by shareholders who voted in person or by proxy at this meeting must be received. I received the scrutineer's report and confirm as follows: PricewaterhouseCoopers are appointed as auditors of Cenovus; each director nominee is elected to the Board by more than 94% of the votes cast by shareholders; the nonbinding advisory vote to accept

(technical difficulty)

shareholders; and the shareholder proposal was defeated by more than 89% of the votes cast by shareholders.

So I direct the secretary to file the final scrutineer's report with the minutes of the meeting. Details of the voting will be filed with securities regulators and included in our news release following the meeting.

So we'll now conclude the formal part of the meeting and turn the presentation and Q&A portion of the meeting over to Alex in a moment. But may I have a motion to conclude the meeting?

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**Dean McCluskey**

Mr. Chairman, my name is Dean McCluskey, and I am a Cenovus shareholder. I move that this meeting conclude.

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**Patrick Darold Daniel** - *Cenovus Energy Inc. - Chairman of the Board*

Thank you, Mr. McCluskey. Is there a seconder for the motion?

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**Winnie Ho**

Mr. Chair, my name is Winnie Ho, and I am a Cenovus shareholder. I second the motion.

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**Patrick Darold Daniel** - *Cenovus Energy Inc. - Chairman of the Board*

Thank you, Ms. Ho. Everybody in favor, please raise your right hand.

(Voting)

Opposed, if any?

(Voting)

So I declare the formal business of this meeting concluded. And now I'll ask Alex to come to the podium and go through his review of '18 and forecast for '19.

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**Alexander J. Pourbaix** - *Cenovus Energy Inc. - CEO, President & Director*

Thanks, Pat. Good afternoon and welcome to Cenovus' 2019 Annual Meeting of Shareholders. I'd like to thank everyone in the room and those of you tuning in by webcast for joining us today. And I would also like to extend a very special welcome to [Mr. Dick Haskey]. And Dick was a very special mentor of mine and I would hazard a guess many others in this room today. And I just want to thank Dick for his support for the company for showing up today.

This morning, Cenovus reported excellent operating and financial performance for the first quarter of 2019. I believe these results emphasize a company's true cash-generating potential and the underlying strength of our business. And assuming commodity prices remain strong, I'm optimistic that you will see similar or even better financial performance from Cenovus in the months ahead.

During the first 3 months of the year, we generated more than \$1 billion in adjusted funds flow and cash from operating activities of nearly \$440 million. And we had over \$730 million in free funds flow. And just to put that in perspective, that's more than double the free funds flow for all of 2018. While this was largely driven by narrow light-heavy differentials and the corresponding improvement in Canadian heavy oil prices, it's also a testament to the momentum Cenovus has been building over the last couple of years.

We've reduced debt, maintained capital discipline and established ourselves as an in situ cost leader. And throughout all of this, we have consistently delivered safe and reliable operating performance at our facilities. I'm also happy to report that our share price is up about 45% since the end of last year.

When I joined Cenovus 18 months ago, it was because I believed that the company was tremendously undervalued and that there was an exceptional opportunity to unlock and capture that value for our shareholders. I also believed that Cenovus had the right assets and people to become not just a better oil and gas producer but a truly great Canadian company, something I'm passionate about making happen. I also knew at that time that we had a lot of work to do to get Cenovus back on track and that we were facing severe macroeconomic headwinds.



However, I could not have predicted just how challenging things would become for our industry in 2018. I don't think anyone could have anticipated that the price differential between West Texas Intermediate and Western Canadian Select would balloon to more than USD 50 a barrel or that, for a period of time, we would actually be losing money on every barrel of oil that we sold.

If you had asked me in October 2017 if the Federal government would have to buy the Trans Mountain expansion project to make sure that it got built or that the government of Alberta would have to impose mandatory production curtailments to stabilize the market, I would have said that you were crazy. But 2018 was an extraordinary year, one of the most challenging that our industry has ever faced and a call for extraordinary measures to ensure the future health of oil and gas development in Canada. As it turns out though, 2018 was also a year of tremendous achievements for Cenovus.

When I stood here before you 1 year ago, I told you that my number one priority was to refocus Cenovus on creating value for shareholders, something that we really hadn't done enough of previously. I said deleveraging and capital discipline would be our top financial priorities and that we would leave no stone unturned in reducing cost and increasing efficiencies. And today, I can confidently say that we've been delivering on those commitments.

So let's take a minute to acknowledge some of our successes in 2018 and the first few months of 2019. And as I always like to do, I'm going to start with safety. Safety is and always will be our top priority at Cenovus. Last year, we recorded our best-ever total recordable injury frequency for the second year in a row, and just recently, we completed our winter program in the oil sands without a single significant incident or spill. Unfortunately, early in 2018, we also had a fatality involving a third-party service provider at our Christina Lake site. This tragic incident was a sobering reminder that safety is something we must keep in mind and work on each and every day. In the aftermath of that incident, we have worked extremely hard to understand what happened and we've taken steps to enhance safety training and reinforce our lifesaving rules.

I mentioned earlier that debt reduction and capital discipline are our top financial priorities. Since the third quarter of 2018, we've reduced our total debt outstanding by USD 1.4 billion or about 18%. At the end of the first quarter, our net debt was CAD 8.1 billion compared with CAD 8.4 billion at the end of 2018. And if commodity prices remain at current levels, we expect to be in a position to make even more progress this year towards our ultimate target of getting our debt down to about \$5 billion. At that level, we anticipate being able to maintain a target debt ratio of less than 2x net debt-to-adjusted EBITDA at the low cycle of commodity prices. And once we've substantially achieved our deleveraging target, I believe that we will be very well positioned to begin balancing our capital allocation decisions to include increased shareholder returns and disciplined investment in growth.

With respect to capital discipline. We've kept capital spending relatively flat over the last couple of years, with the vast majority of our capital going to sustained base production at our Foster Creek and Christina Lake oil sands operations. A small portion of our spending has also gone towards the phase G expansion at Christina Lake, which has been a resounding success. Our capital to complete phase G is 25% below what we expected to achieve on our planned scope of work. This is largely due to improvements in well pad design, longer well lengths and increased efficiencies and facilities construction.

I'm happy to say the construction of phase G, which is largely complete, was about 5 months ahead of schedule. The full expansion is essentially ready for production, and we'll make a decision about when to bring on incremental oil volumes from phase G when we have clarity on production curtailment in the second half of this year and when we see improved market access.

Turning to market access. In 2018, we significantly improved our long-term position by signing 3-year rail agreements with CN and CP to transport up to 100,000 barrels a day of heavy crude oil from Northern Alberta to the U.S. Gulf Coast where we've been receiving strong pricing. We are on track to ramp up our oil-by-rail capacity towards that 100,000 barrel a day target through the balance of this year.

Ultimately, we still need new pipelines to improve market access and to provide a longer-term solution to wide differentials. As previously announced, we recently increased our committed capacity on the proposed Keystone XL project. Between Keystone XL and the Trans Mountain expansion project, we now have 275,000 barrels a day of potential future pipeline capacity to the West Coast and the U.S. Gulf Coast.

Now let's turn to our oil sands facilities, which have consistently demonstrated strong and reliable operating performance. In 2018, we continued to reduce our oil sands operating cost to industry-leading levels of around \$7.65 a barrel. In the first quarter of the year, our oil sands operating costs increased modestly due to lower production rate as a result of curtailment and higher fuel prices due to the cold weather. As market access improves and curtailment is further eased, we expect operating costs to return to more normal levels.

In the first and fourth quarters of 2018, when light-heavy oil differentials widened and WCS prices fell, we strategically managed our oil sands reservoirs by voluntarily reducing production. At the same time, we maintained steam injection at normal levels, allowing us to continue mobilizing and storing production-ready barrels in our reservoirs. In 2019, to comply with the government's mandatory curtailment program, we've continued to produce lower volumes while still maintaining steam injection levels. Now many of you may be wondering if mandatory production curtailment was the right decision for our industry, our province and for Cenovus. It certainly has been controversial. So let me make Cenovus' position really clear.

Under normal circumstances, government intervention of this kind is not desirable, but I really want to emphasize that these are not normal times. As a result of Canada's inability to get new pipelines built, the supply/demand market for oil in this country was fundamentally broken last year. That led to unsustainably wide light-heavy differentials and a collapse in the price of WCS. Left unchecked, this would've caused significant business failures in our industry and thousands, if not tens of thousands, of additional job losses, not to mention billions of dollars in lost royalty revenues for the people of Alberta.

To stabilize the market and balance supply with takeaway capacity, the government of Alberta only had one choice: to temporarily implement mandatory production curtailments until new market access options are available for Canadian oil. For Cenovus, curtailment will likely mean lower-than-expected production volumes in 2019. And because the costs associated with maintaining steam injection levels will be spread across fewer barrels, that will contribute to a temporary increase in our per barrel operating cost.

As a result, you'll see that we've revised our guidance for the year. However, these lower production volumes and higher operating costs have already been, and we expect will continue to be, much more than offset by the positive impact of the improved WCS prices and narrower light-heavy differentials that have followed mandatory curtailment. This improvement in pricing contributed to Cenovus' strong first quarter financial performance and resulted in us paying \$191 million in Alberta provincial royalties. And just to put that into perspective, in the fourth quarter of last year when differentials reached record highs, not only did we not pay royalties, we, in fact, received a \$29 million credit on royalties. And keep in mind that we represent just 10% of total oil production in the province. If you extrapolate what we expect to pay in royalties this year across the rest of our industry, temporary mandatory curtailment is doing what it's supposed to do, and I think it has been absolutely a clear win for our industry and for the people of Alberta.

A couple of additional notes now about our highlights from this past year before I wrap things up. In the Deep Basin, we continued to streamline our asset base in 2018 with the sale of our Pipestone business for \$625 million, which we used to pay down debt. We are extremely pleased with the success of our modest drilling program in the Deep Basin in the first quarter of last year, and we've been making very good headway with the project we launched to optimize Deep Basin's operating model with the goal of reducing costs, improving efficiency and maximizing value.

Our refining operations continued to demonstrate their value as part of our integrated business strategy. After completing major planned turnarounds last year, the Wood River and Borger refineries achieved new crude processing rates, which led to an increase in their nameplate capacities earlier this year. Together, they contributed nearly \$1 billion in refining and marketing and operating margin for us last year, offsetting the impact of the depressed WCS prices.

I'm also particularly proud of Cenovus' continued focus on responsible development and sustainability. We recognize the continuing -- the growing importance of environmental, social and governance, or ESG, issues to both the Canadian public and to our investors, and we continue to pride ourselves on the quality and the transparency of our disclosure documents. That's why we published a standalone carbon disclosure report last year that outlined how the company is managing climate-related risks, and we plan to incorporate similar carbon disclosure into our annual ESG report going forward.



I want to be clear that our recommendation against the FTQ proposal, which did not pass today, was not because we do not place a high priority on environmental performance and reducing our GHG emissions intensity. Our recommendation was because we had challenges with the prescriptive nature of the proposal despite its alignment with our values on the importance of planning for and demonstrating environmental performance.

When it comes to ESG issues, I believe Cenovus has a really good story to tell. Our oil sands operations have among the lowest steam-to-oil ratios in the industry, which translates directly into lower GHG emissions. In fact, contrary to what oil sands critics will tell you, our industry has made good progress in reducing emissions intensity. At Cenovus, for example, we have significantly cut our oil sands emissions per barrel by about 1/3 since 2004. And as you can see from this slide, the direct GHG emissions associated with producing a barrel of Cenovus' Christina Lake and Foster Creek oil sands operations is comparable to that of the average barrel produced and refined in the U.S. And a barrel of our oil sands crude actually has fewer direct emissions associated with production than the average barrel produced worldwide.

We also have a good story to tell about the relationships we've built over the years with communities near our operations. In 2018, we worked hard to maintain those strong relationships, especially with indigenous communities that are among our closest neighbors. We launched our Indigenous Inclusion Advisory Committee comprised of senior leaders in the company to provide advice and guidance on meaningful inclusion of indigenous people in our business, and we spent approximately \$200 million on goods and services provided by indigenous-run companies in 2018, bringing our total indigenous business spend since Cenovus' launch 9 years ago to approximately \$2.7 billion.

An example of our environmental leadership is our 10-year, \$32 million voluntary Caribou Habitat Restoration Project that has become a model for industry. Since launching the project in 2016, we've treated close to 800 kilometers of old seismic lines and other disturbance features to regenerate forest growth and reduce fragmentation of key caribou habitat areas. That included planting over 850,000 trees.

I encourage everybody to read our ESG report when it comes out this summer for more examples of the steps we are taking to responsibly develop Canada's resources.

These are just a few of the highlights from our business over the past year. As I said earlier, from a macroeconomic perspective, 2018 was one of the most challenging years we faced as a company, and many of those challenges, including getting improved market access for Canadian oil, remain.

Despite those challenges, the company has made great strides. Over the past year, we've become an even more stronger and more nimble company, one that I believe is well positioned to generate significant cash flows and create shareholder value in the months ahead. And I believe you've already seen evidence of that in our first quarter results. In 2019, we will continue to make improvements of -- in our business. And we'll remain focused on deleveraging, maintaining capital discipline and cost leadership as we continue to responsibly develop our assets. I feel that we've proven Cenovus has the right strategy, assets and people to be successful over the long term, and I remain very optimistic about the future of our company.

Before I conclude, I would like to extend my sincere thanks to the Cenovus team. We would not have been able to have such a great quarter without all the hard work they did over the past year.

So the next thing we're going to do now is take questions from the audience. And I'd ask you, if you have a question, please make your way to the microphone located in the aisle. And I'd ask you to kindly keep your questions brief so that we can be fair to others in the meeting in the event -- I'd ask everybody to limit themselves to one question and a follow-up. And if you have other questions, maybe you could go to the back of the line so others can get an opportunity.

I don't know that I'm seeing any questions, which I think is a good thing. One of the -- in the shareholder proposal, there was a discussion about methane and a concern raised about methane. What I wanted to do -- I actually think that's a really, really important issue for our industry and for our country. And at Cenovus, we very much support efforts to reduce methane emissions, and we recognize that it's a very important component of addressing climate change.



So one, I think what I'll do is I'll give a general answer, and then I might ask Al Reid, our General Counsel who is in charge of this area of the company, to give a more detailed answer. But we have actually been very focused on methane as early as 2010 in the company, and we have made significant strides on that. We believe we do a very good job of measuring our methane emissions. And we have taken many actions to this point. And a lot of these would actually be actions to replace or put new equipment on our facilities in order to drive reduced methane emissions.

So Al, if you wouldn't mind, maybe I'd ask you to just speak for a minute or 2 on that.

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**Alan Craig Reid** - *Cenovus Energy Inc. - Executive VP of Stakeholder Engagement, Safety & Legal and General Counsel*

Sure. Thanks, Alex. So I think when we think about managing methane emissions, we think about it in the context of managing all greenhouse gas emissions. So that's managing CO2 emissions. At our oil sands facilities, we do that through reducing our steam-to-oil ratio, and that's ongoing improvements that we are making to the way we run those plants. And that's also some of the technologies that we've been working on. We do that through managing NOx through flue gas recirculation on some of our boilers -- literally all of our boilers -- new boilers at Christina Lake. And certainly, when it comes to methane, we have a long history of that. And I think it starts with the fact that Alberta has long had the most stringent methane emission reduction requirements of any jurisdiction that I know of that produces oil and natural gas.

But as Alex indicated, we really started with a fugitive emissions management program in 2010. That's been ongoing and has actually allowed us to create credits under that program. And as everyone here knows, I think, as we acquired a large suite of Deep Basin assets in 2017 and as part of that, we had worked closely with ConocoPhillips prior to acquiring those assets just as part of an industry group that was managing fugitive emissions. So we know that they had a very similar program. And it's really through technologies that capture fugitive emissions and turn them into fuel gas at compressors. It's things like using compressed air for pneumatics instead of natural gas. And then where we have the opportunity, we're changing out pneumatic pumps and putting in electric pumps. So that's all really important.

Right now, of course, there is a new regulation coming in on emissions, and we're ahead of that. One of the things that we've done is we've gone through and done a complete inventory of all of our pneumatic equipment in our Deep Basin assets as well as at our oil sands, and then we are looking at places where we can change out the equipment to go to lower methane emission equipment over time. And that's certainly part of the meeting that challenge of reducing greenhouse gas emissions by 40% to 45% over the next few years.

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**Alexander J. Pourbaix** - *Cenovus Energy Inc. - CEO, President & Director*

All right. Are there any other questions?

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## QUESTIONS AND ANSWERS

### Unidentified Shareholder

Great presentation, Alex. [George Windsor], shareholder. You touched on indigenous involvement. And as we see with the pipeline fiasco, that it's becoming more and more important. And I'm glad to see our company is becoming more involved and Christina Lake being such a gem. And I think we got our project Narrows going to be coming when things are right for it. It's right around that Métis community of Christina Lake, Conklin and Lac La Biche, I guess, not too far away, Foster Creek. How are we doing with the local employment, particularly these Métis people that are right where we are operating, to keep them content and involved? Some local contractors, that kind of thing.

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**Alexander J. Pourbaix** - *Cenovus Energy Inc. - CEO, President & Director*

Yes. Well, thank you so much for your question. And as I said, the company has really made it a priority. I myself have spent a great deal of time meeting the indigenous leaders, the First Nation leaders, in and around our facilities. And I'm actually quite proud of the work that Cenovus has done, particularly with First-Nation-owned businesses in the community. And I think that has been very helpful. I would tell you my perception is

there is still more that we can do, and I think there's more collaboration that we can do going forward. And we are very, very open to that opportunity because I think it's a great local workforce. It's win-win for both of us so it's something we are really dedicated to continue and to try to advance.

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**Unidentified Shareholder**

Yes. I guess I was more concerned with involvement of the Métis rather than -- the First Nations get a lot of the limelight. But we're right in a Métis community and...

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**Alexander J. Pourbaix** - *Cenovus Energy Inc. - CEO, President & Director*

Yes. I've been to Conklin. I know the community well. From that perspective, I would not draw sort of our desire to collaborate and work just with the recognized First Nation communities. For me, that extends to the Métis community. And I don't know, AI, if you wanted to add anything to that.

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**Alan Craig Reid** - *Cenovus Energy Inc. - Executive VP of Stakeholder Engagement, Safety & Legal and General Counsel*

Yes. Sure. I think Conklin has always been a key community for us. We actually -- one of the first benefit agreements that we did with the community was in Conklin. And they have a number of businesses that operate at Christina Lake and as well as we have employees that work at Christina Lake that come out of -- that work for Cenovus and obviously work for those contractors as well. So they're a key part of our indigenous workforce.

They're also a key community that we consult with because they're so close. So that's things like when we want to do -- when we want to add on to our facility when we are building new pads, we're obviously consulting them, but we're also talking to the communities on an ongoing basis so we understand how things are going in that community, how they're affected by the local economy, what's going on in the industry. So they understand us and we understand them. So it's an ongoing relationship, and I think it's a really healthy one.

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**Alexander J. Pourbaix** - *Cenovus Energy Inc. - CEO, President & Director*

One other -- sorry. Just before you leave, one other comment I want to make. Probably to nobody's surprise, Cenovus is one of the largest property taxpayers in that area. And I think one area we can be helpful is to make sure that those tax dollars that we're paying are going to the most appropriate locations. That's something that I've talked about with my leadership team that we really want to push next year because I think there are things we can do for that Conklin area. So stay tuned, and we'll -- we're going to keep working on it. Thank you very much.

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**Unidentified Shareholder**

I'm [Greg Getranke], shareholder. I was wondering if you had any comments on the recently released report, at least on the radio, that government flew over all of the oil sands and found emissions were higher than were reported.

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**Alexander J. Pourbaix** - *Cenovus Energy Inc. - CEO, President & Director*

Yes. Thank you. I saw the headline. I have not had an opportunity to read that report. One thing I would tell you, and AI was sort of talking about this a little bit when he was talking about the methane measurement, but Alberta has, as far as I know, the most advanced and comprehensive rules for monitoring air quality and emissions. And I know for a fact at Cenovus that those emissions that we are -- the emission reports that we are filing are very accurate representations of the GHG emissions and any other air emissions that the company is responsible for. So I'll be interested -- we'll certainly read that report, but I am confident in our case that what we're reporting is accurate and correct.



Well, I think that represents all of the questions. Ladies and gentlemen, on behalf of your Board of Directors and the management team, thank you so much for attending our Annual Meeting of Shareholders. I think we're going to have some refreshments in the foyer. And we look forward -- I think, you have seen, we introduced the Board of Directors, and management is in the front. And I would encourage, if anybody wants to have any kind of discussions, have any questions, issues, please raise them either with the Board of Directors or with management. We'd be very, very happy to spend time with you. Thanks so much.

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