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July 29, 2022

Mr. Emmanuel Faber, Chair
International Sustainability Standards Board
IFRS Foundation
Columbus Building
7 Westferry Circus
Canary Wharf
London, E14 4HD, UK

commentletters@ifrs.org

Re: Exposure drafts IFRS S1 and IFRS S2 on sustainability and climate-related disclosures

Dear Mr. Faber:

Cenovus Energy Inc. ("Cenovus") is pleased to provide comments regarding the exposure drafts IFRS S1, General Requirements for Disclosure of Sustainability-related Financial Disclosure and IFRS S2, Climate-related Disclosures.

Cenovus is a leading Canadian integrated energy company, listed on both the Toronto and New York stock exchanges. Cenovus publishes an annual environmental, social and governance report that aligns with the recommendations of the Task Force on Climate-related Financial Disclosure ("TCFD"), following the standards established by the Sustainability Accounting Standards Board.

We welcome the efforts of the International Sustainability Standards Board ("ISSB") to deliver a comprehensive global baseline of sustainability-related disclosure standards that builds upon the well-established work of the TCFD. We are supportive of the ISSB's intention to be the global baseline for sustainability disclosure and facilitate the addition of requirements that are jurisdiction-specific or aimed at a broader group of stakeholders.

While we are broadly supportive of many elements of the exposure drafts, we would like to highlight aspects of the proposals that cause concern.

1) Timing of annual disclosure

The ISSB's proposed timelines are incompatible with regulatory GHG emissions reporting deadlines in both Canada and the United States. For example, in Canada, the deadline for reporting GHG emissions is June of the following fiscal year. Preparing and receiving third party verification of GHG data to meet the proposed timelines of the exposure drafts would present a material challenge and require additional upfront time, investment, and resources, as well as significant capacity building among third-party verifiers due to significant increase in demand for their services. Additionally, companies would need to adjust internal systems and control procedures to ensure their ability to meet the requirements. While we support the principle of connectivity between sustainability-related disclosure and the financial statements, we strongly recommend consideration of an alternative approach of extending the filing deadline to mid-year to accommodate the current environmental regulatory reporting timelines. If the timelines remain as proposed, we would require substantial time and resources to adjust internal systems and control procedures to ensure the ability to meet the requirements. As such, we would strongly recommend a period of voluntary adoption of at least two years before seeking more prescriptive measures such as verification and compliance.

2) Effective date of the standards

At Cenovus, we have been reporting on our sustainability performance since we launched as a company in 2009 and through predecessor companies since the early 2000s. Historically, we have reported our data on a gross operated basis and not adjusted for ownership share, with the exception of reporting our scope 1, 2 and 3 emissions on both a gross operated, and net equity basis. However, we support the approach of requiring the same reporting entity for both general purpose financial statements and sustainability-related financial disclosures to enable entities to link financial statements with sustainability-related financial information. As a result of adjusting this reporting boundary, we will require extra time to undertake a materiality assessment to incorporate sustainability risks and opportunities associated with our joint venture interests as well as our value chain. Given that this will be dependent on receiving information that is beyond our control and outside of our reporting systems, it is strongly recommended that the effective date of the standards allows for a period of voluntary adoption or consider a phased introduction to give report preparers sufficient time to develop their policies and procedures. We recommend at least three years to ensure sufficient time to prepare for the new requirements.

3) Quantitative disclosure of the anticipated future effects of significant climate-related risks and opportunities

We echo the challenges identified in the TCFD's 2021 status report for disclosure of anticipated financial effects of climate-related risks and opportunities. The exposure draft requirements seek to address potential measurement challenges by requiring disclosure of quantitative information unless an entity is unable to provide the information quantitatively, in which case it shall be provided qualitatively. It is not clear what constitutes "unable to provide the information quantitatively" and therefore suggest that further clarity is provided. Should quantitative disclosure be required, we are supportive of providing a range vs. a single point estimate, and strongly encourage the ISSB to work with jurisdictional authorities to ensure appropriate liability protections are provided. We recommend issuers be provided a formal safe harbor that limits their liability for misstatements or omissions related to their disclosures of climate risks and opportunities and climate-related financial data, similar to the U.S. Securities and Exchange Commission's safe harbor for forward-looking statements.

4) Mandatory scenario analysis disclosure

We support the use of scenario analysis in assessing potential effects of climate change on business models and currently disclose the results of our scenario analysis qualitatively. However, we do not believe it should be mandatory at this time. Without a common framework for creating such scenarios, there are limits to both the usefulness and comparability across issuing companies. We are supportive of requiring issuers to complete scenario analysis once there is greater scope to agree on common assumptions and a framework for scenario creation, as well as appropriate liability protections as it relates to disclosing forward-looking information.

5) Mandatory scope 3 emissions disclosure

The criteria for identifying and reporting scope 1 and 2 emissions is well established, transparent and consistent across industries. However, because reporting scope 3 includes indirect emissions resulting from activities that occur outside our control, it is highly dependent on assumptions and estimation, and therefore less certain and less consistent. Evaluating scope 3 emissions and comparing them between companies can be challenging due to inconsistent reporting methodologies and the risk of potential duplication. Cenovus currently discloses scope 3 emissions and understands that investors and capital markets will increasingly be asking for this disclosure. However, as a result of the evolving methodology and the current challenges with accurately disclosing scope 3 emissions, we strongly encourage the ISSB to consider a phased approach for requiring scope 3 disclosure and not mandate the disclosure until we have increased data availability and widely adopted, consistent global methodology that promotes consistent application of data.

We appreciate the efforts of the ISSB advancing this work and thank you for the opportunity to provide comments.

Yours truly,

Cenovus Energy Inc.

RDelFrari

Rhona DelFrari
Chief Sustainability Officer and Senior Vice-President, Stakeholder Engagement