

Shareholder Advisory Vote on Executive Compensation Policy

July 24, 2012

To further enhance transparency regarding the philosophy, principles and approach to executive compensation of the Cenovus Energy Inc. (“Cenovus” or the “Corporation”) Board of Directors (“Board”), the Board initially adopted this policy effective October 19, 2010 for implementation of a shareholder advisory vote on executive compensation (“Say on Pay” advisory vote”).

The Nominating and Corporate Governance (“NCG”) Committee of the Board will periodically review this policy and recommend any changes to the Board for approval. The NCG Committee and the Board will continue to consider emerging shareholder engagement practices among other issuers and in other jurisdictions as they develop, with a view to ensuring that Cenovus’s practices continue to be representative of sound corporate governance practices.

Compensation Disclosure to Shareholders by the Board

The Cenovus compensation program is governed by the Human Resources and Compensation Committee (“HRC Committee”) of the Board. The HRC Committee reviews and monitors the Corporation’s compensation philosophy and compensation program design. The compensation philosophy and design is discussed in detail in the Compensation Discussion & Analysis (“CD&A”) section of the annual Cenovus management proxy circular.

While the CD&A disclosure primarily provides information relating to the most recently completed financial year, the CD&A may also describe the approach to compensation for subsequent financial year(s), highlighting changes made to the prior year’s compensation plan and instances where and why discretion was exercised by the Board in the prior year, along with explanations for these decisions.

The CD&A is intended to provide shareholders with the information needed to understand what the Board is trying to achieve with its compensation policies and to understand the rationale for the compensation awards and arrangements. The CD&A provided to shareholders will be complete, clear and understandable and sufficient detail will be given to shareholders to assist in forming a reasoned judgment about Cenovus’s approach to compensation.

“Say on Pay” Advisory Vote

The Board believes that shareholders should have the opportunity to receive information to assist them in understanding the objectives, philosophy and principles the Board has used in its approach to executive compensation decisions and to have an advisory vote on the Board’s approach to executive compensation, as disclosed in the CD&A.

The purpose of the “Say on Pay” advisory vote is to provide Board accountability to the shareholders of Cenovus for the



Board's compensation decisions by giving shareholders a formal opportunity to provide their views on the disclosed objectives of the executive compensation plans, and on the plans themselves. The Board has determined that a "Say on Pay" advisory vote, commencing in 2012, will be held every year.

While shareholders will provide their collective advisory vote, the Board remains fully responsible for its compensation decisions and is not relieved of these responsibilities by an affirmative advisory vote by shareholders.

Form of Resolution

The management proxy circular distributed in advance of each annual meeting of shareholders, commencing in 2012, will ask shareholders to consider a non-binding advisory resolution substantially in the following form:

Resolved, on an advisory basis and not to diminish the role and responsibilities of the board of directors, that the shareholders accept the approach to executive compensation disclosed in the Corporation's management proxy circular delivered in advance of the [insert year] annual meeting of shareholders.

Approval, on an advisory basis, of the above resolution will require an affirmative vote of a majority of the votes cast at the annual meeting of shareholders.

Results of the "Say on Pay" Advisory Vote

As this is an advisory vote, the results will not be binding upon the Board. However, the Board will take the results of the vote into account, as appropriate, when considering future compensation policies, procedures and decisions and in determining whether there is a need to increase engagement with shareholders on compensation and related matters.

The Corporation will disclose the results of the shareholder advisory vote as a part of its report on voting results for the meeting.

In the event that the advisory resolution is not approved by a majority of the votes cast at the annual meeting, the Board will consult with its shareholders (particularly those who are known to have voted against it) to understand their concerns and will review the Corporation's approach to compensation in the context of those concerns. Results from the Board's review will be discussed in the Corporation's management proxy circular for the following year. Shareholders who have voted against the resolution will be encouraged to contact the Board in accordance with the Board Shareholder Communication and Engagement Policy to discuss their specific concerns.

Contacting the Cenovus Board

Details on how to contact the Cenovus Board are outlined in our *Board Shareholder Communication and Engagement Policy*.