



# Affiliate Relationships Code

## 2016 Compliance Plan

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## I. GENERAL PROVISIONS

**Section 6.4** of the [Enbridge Pipelines Inc. \(“EPI”\) Canadian Affiliate Relationships Code](#) and the [Enbridge Southern Lights Canadian Affiliate Relationships Code](#) requires the preparation of an annual Compliance Plan (Plan) that is made available on internal and external websites. This Plan is to be considered the Compliance Plan for the Canadian Affiliate Relationships Codes owned by EPI and Southern Lights. All capitalized terms shall have the meaning described in the Code. This Compliance Plan comes into effect on January 1, 2016.

Liquid Pipelines (LP) Ethics & Compliance is accountable for governance of the EPI Canadian Affiliate Relationships Code and Southern Lights Canadian Affiliate Relationships Code, including the preparation and implementation of the Plan. Accordingly, LP Ethics & Compliance has developed mechanisms to ensure compliance with specific sections of the Code.

## II. COMPLIANCE MECHANISMS

EPI currently has the following mechanisms in place to ensure compliance with the requirements of the Code that necessitate measureable actions:

1. **Section 2.1 Separate Operations:** The commercial and business affairs of EPI should be managed and conducted independently from the commercial and business affairs of its Unregulated Affiliates, except as required to fulfill Shared Core Corporate Services and Shared Customer Services.

**Measure:** LP Ethics & Compliance will review the organizational structure of EPI and its Unregulated Affiliates to assess the independence of operations. The assessment will be included in the annual Compliance Report.

2. **Section 2.2 Common Directors:** EPI may have common directors with Affiliates, as long as acting in such a dual capacity could not reasonably be considered to be detrimental to the interests of EPI or Affiliate Customers.

**Measure:** LP Ethics & Compliance will review the directorship of EPI and its Unregulated Affiliates to assess the appropriateness of Directors acting in a dual capacity. The assessment will be included in the annual Compliance Report.

- Section 2.3 through 2.5, Separate Management:** Subject to Sections 2.4 and 2.5, EPI must have separate officers from its Unregulated Affiliates. Subject to Sections 2.4 and 2.5, EPI may share management team members and officers with Regulated Affiliates.

**Measure (a):** LP Ethics & Compliance will review the list of officers for EPI and its Unregulated Affiliates to assess the appropriateness of Officers acting in a dual capacity. The assessment will be included in the annual Compliance Report.

**Measure (b):** LP Ethics & Compliance will ensure any director, officer or member of a management team of EPI and its Unregulated Affiliates operating in a dual capacity has reviewed and acknowledged the Code Guiding Principles.

- Section 2.6 Accounting Separation:** EPI must maintain separate financial records and books of accounts from those of its Affiliates.

**Measure:** Financial Reporting will provide a summary of the financial records and accounts to EPI and Affiliates, and a certificate signed by the Senior Manager, Financial Reporting, Financial Results reporting, and Liquids Pipelines, respecting compliance with section 2.6. The summary and certificate will be provided to the Compliance Officer by March 15<sup>th</sup> of each calendar year, for the previous calendar year.

- Section 2.7 Physical Separation:** EPI must put appropriate measures in place to restrict access to EPI's Confidential Information by employees of Unregulated Affiliates with significant commercial and business development responsibilities. Commercial and business development employees of an Unregulated Affiliate must be physically located on a separate floor from EPI staff. Where EPI provides services to an Unregulated Affiliate that operates in whole or in part as a crude petroleum producer, marketer, shipper or refiner, that Unregulated Affiliate's employees whose functions include commercial development, business development, marketing, producing, refining and shipping must be physically located in a separate building or complex from EPI's offices that are used for its day to day operations of the pipeline system.

**Measure:** LP Ethics & Compliance will review the security safeguards for Confidential Information, physical separations between floors, and physical separation between buildings, as required under section 2.7. The assessment will be included in the annual Compliance Report.

- 2.8 Separation of Information Services:** Subject to section 2.11, where EPI shares Information Services with an Unregulated Affiliate, Confidential Information must be protected from unauthorized access by an Unregulated Affiliate and vice versa.

**Measure:** The Director, Information Technology, and Business Transformation, will provide certification respecting compliance with section 2.8 of the Code to the Compliance Officer by March 15<sup>th</sup> of each calendar year, for the previous calendar year.

7. **2.9 Financial Transactions with Affiliates:** EPI and its Regulated Affiliates must ensure that any loan, investment or other financial support provided to an Unregulated Affiliate is provided on terms no more favourable than what the Unregulated Affiliate would be able to obtain as a stand-alone entity from the capital markets.

**Measure:** Treasury will provide a summary of processes completed to ensure that loans, investments or other financial supports between EPI and Unregulated Affiliates and Regulated Affiliates are in accordance with this section, and a certificate signed by the Director, Treasury, and Corporate respecting compliance with section 2.9. The summary will be provided by March 15<sup>th</sup> of each calendar year, for the previous calendar year.

8. **2.10 Sharing of Assets:** The operational plant, assets and equipment of EPI shall be separated in ownership from that of its Unregulated Affiliates. For the purposes of this section, operational plant, assets and equipment means any pipeline or portion thereof that is capable of being operated as a line for the transmission of gas or oil, and includes all branches, extensions, tanks, reservoirs, storage facilities, pumps, racks and compressors.

**Measure:** The Controller, Liquids Pipelines, will provide certification respecting the compliance with separation of ownership of operational plants, assets and equipment between EPI and Unregulated Affiliates. This certificate will be provided to the Compliance Officer by March 15<sup>th</sup> of each calendar year, for the previous calendar year.

9. **2.11 Sharing Services Permitted:** Where EPI determines that it is prudent in operating its business, it may obtain Shared Services or Shared Customer Services from, or provide Shared Services or Shared Customer Services to, an Affiliate. EPI must periodically review the prudence of such sharing arrangements and make any adjustments necessary to ensure that each of EPI and their Affiliates bears its proportionate share of costs. If services are shared between EPI and an Affiliate, a Services Agreement must be put into place.

**Measure:** EPI will draft and have Service Agreements for any Shared Services between EPI and an Affiliate. Law will provide a list of all Service Agreements for Shared Services between EPI and Affiliates, and the Director, Law & Regulatory Affairs will provide certification respecting the complete list of Service Agreements and confirmation that agreements are diligently reviewed. The list and certificate will be provided by March 15<sup>th</sup> of each calendar year, for the previous calendar year.

10. **Section 2.12 Sharing of Employees:** EPI may share employees with an Affiliate on a Fully Burdened Cost recovery basis provided that the shared employees are able to carry out their responsibilities in a manner that is consistent with the spirit and intent of this Code. In particular, an employee must not be shared if it could reasonably be considered detrimental to the interests of EPI Customers or the Affiliate's Customers. If employees are shared, such employees must abstain from engaging in any activity that could reasonably be considered detrimental to the interests of EPI Customers or Affiliate's Customers.

**Measure (a):** The Compliance Officer will review and approve the restrictions of sharing of employees between EPI and Unregulated Affiliates, excepting sharing for the providing of Shared Corporate Services or Shared Customer Services, and confirmation that any sharing of employees between EPI and Affiliates is not detrimental to the interests of EPI Customers or Affiliate Customers.

**Measure (b):** The Controller, Liquids Pipelines will provide a certificate respecting compliance with sharing of employees between EPI and Affiliates on a Fully Burdened Cost recovery basis and reasonableness of cost allocation for Fully Burdened Costs of Shared Core Corporate Services or Shared Customer Services. Certification will be provided to the Compliance Officer by March 15<sup>th</sup> of each calendar year, for the previous calendar year.

11. **Section 2.13 Occasional Services Permitted:** Where EPI has otherwise acted prudently, it may receive or provide one-off, infrequent or occasional services to or from an Affiliate and such services shall be properly documented (work order, etc.). In the event that such occasional services become regular occurrences, EPI must enter into a Services Agreement with the Affiliate for Shared Services.

**Measure:** On an annual basis, LP Ethics & Compliance will request from EPI a list of instances where occasional services were provided. LP Ethics & Compliance will assess the list of instances for appropriateness and frequency.



12. **Section 2.14 Emergency Services Permitted:** In the event of an emergency, EPI may share services and resources with an Affiliate without a Services Agreement on a Fully Burdened Cost recovery basis.

**Measure:** The Controller, Liquids Pipelines will provide a list of services shared between EPI and Affiliates that have occurred in the event of an emergency, and a certificate respecting compliance with section 2.14. The list of services and certification will be provided to the Compliance Officer by March 15th of each calendar year, for the previous calendar year.

13. **Section 3.1 For Profit Affiliate Services:** Where EPI determines it is prudent to do so, it may obtain For Profit Affiliate Services from an Affiliate. Prior to outsourcing to an Affiliate a service that EPI presently conducts itself, EPI shall undertake a prudent cost-benefit analysis over an appropriate timeframe in the circumstances. An Affiliate shall likewise undertake a prudent cost-benefit analysis over an appropriate timeframe in the circumstances, prior to outsourcing a service to EPI.

**Measure:** LP Ethics & Compliance will review EPI requests for Affiliate for Profit services to assess the independence of the transactions. The assessment will be included in the annual Compliance Report.

14. **Section 3.2 Asset Transfers:** Assets transferred, mortgaged, leased or otherwise disposed of by EPI to an Affiliate, or vice versa, must be at the Fair Market Value of such assets or, where required, upon terms approved by the appropriate regulatory agency. If an asset in excess of \$2 million (Cdn) is transferred, leased, sold or otherwise disposed of by EPI to an Affiliate, EPI shall notify CAPP not less than 45 days prior to such transfer. Where operational efficiencies between EPI and/or Affiliates can be obtained through the use of common facilities, combined purchasing power or through the use of other cost saving procedures, assets used in EPI's and Affiliates' operations may be transferred between each other at net book value or other reasonable standard. All such transactions must be properly documented and accounted for on EPI's and the Affiliates' respective accounting records.

**Measure:** The Controller, Liquid Pipelines will provide a list of all transactions that were in excess of \$2 million involving the transfer, lease, sale or disposition by EPI to an Affiliate, and a certificate signed by the Controller, Liquid Pipelines, respecting compliance with section 3.2, including notification to CAPP within the specified time period as required, and documentation of allowable transactions under section 3.2. The list of transactions and certificate will be provided to the Compliance Officer by March 15th of each calendar year, for the previous calendar year.

**15. Section 4.1 Mitigation of Market Power and Equal Treatment of**

**Representatives:** EPI and its Affiliates shall conduct themselves in accordance with all applicable competition law in the jurisdictions in which they conduct business. EPI shall apply and enforce all tariff provisions in accordance with applicable legislation, regulatory orders, permits and licences. Such tariff provisions shall be applied to Affiliates in the same manner as other Customers and/or prospective Customers in order to ensure no undue discrimination, preferences or prejudice, except as approved by the appropriate regulatory agency. EPI shall not provide special rates, rebates or different rates for like and contemporaneous service to Affiliates and Customers, except as approved by the appropriate regulatory agency.

EPI shall not favour any Affiliate with respect to access to information concerning services provided to Customers or scheduling of their transportation. All requests to EPI by an Affiliate for access to their respective services shall be processed and provided in accordance with this Code and in the same manner as it would be processed or provided for any Customer.

EPI shall not condition or otherwise require any Customer to deal with an Affiliate in order to receive EPI transportation services.

EPI shall not explicitly or implicitly suggest that a Customer may receive an inappropriate advantage if that Customer also deals with any Affiliate.

Affiliates may not imply in any marketing material, other public documents or communications that Customers or potential Customers of the Affiliate may also receive preferential access to or services from EPI. If EPI becomes aware of any such inappropriate marketing material, public documents or communications, EPI shall:

- Immediately take reasonable steps to notify affected Customers or potential customers of the inaccurate information
- Take necessary steps to ensure the Affiliate is aware of this concern and to request that no further communications be made to suggest preferential access to or services from EPI.

**Measure:** The Director, Customer Service will provide certification respecting compliance with section 4.1 of the Code to the Compliance Officer by March 15<sup>th</sup> of each calendar year, for the previous calendar year.

16. **Section 5.1 Release of EPI Information to Unregulated Affiliates:** EPI must not provide any Affiliate who is a producer, refiner, marketer or shipper with information relating to the planning, operations, finances or strategy of EPI before such information is publicly available. In other words, subject to sections 2.1, 2.2, 2.4 and 2.12, EPI must take care that it does not disclose EPI's information to any Affiliate who is a producer, refiner, marketer or shipper that it would not disclose to other Customers or potential Customers. This would include any Confidential Information and non-aggregated customer information gathered by EPI to generate annual supply forecasts for planning purposes.

**Measure:** LP Ethics & Compliance will include any releases of EPI information to an Unregulated Affiliate and associated Corrective and Preventive Actions in the annual Code compliance report.

17. **Section 5.2 No Release of Confidential Customer Information:** EPI must not, without the Customer's prior written consent, use or disclose to an Affiliate any Confidential Information for the purpose of pursuing commercial or business development activities.

**Measure:** LP Ethics & Compliance will include any releases of confidential customer information and associated Corrective and Preventive Actions in the annual Code compliance report.

18. **Section 6.1 Compliance Requirements:** EPI is responsible for ensuring compliance with this Code. EPI shall communicate the contents of this Code and any modifications to it from time to time to its employees, directors, officers, Representatives, and Affiliates. EPI shall make this Code available on its internal and external websites. EPI shall appoint a compliance officer (the "Compliance Officer"). EPI shall ensure that the Compliance Officer has access to adequate resources to fulfill his or her responsibilities.

**Measure:** LP Ethics & Compliance will include evidence of completion of the compliance requirements in the annual Code compliance report.

19. **Section 6.6 Dispute, Complaint and Inquiry Resolution:** Disputes, complaints or inquiries from within EPI, an Affiliate, Customers of EPI, or from a Representative respecting the application of, or alleged non-compliance with this Code, may be made verbally or submitted in writing to the Compliance Officer and may be made confidentially. The identity of any party making a submission to the Compliance Officer shall be kept confidential by the Compliance Officer unless the party otherwise agrees. The Compliance Officer shall acknowledge all disputes, complaints or inquiries in writing within five working days of receipt of same.

**Measure:** LP Ethics & Compliance will produce an annual report detailing all disputes, complaints and inquiries from the previous year.

20. **Section 6.7 Non-Compliances:** Any non-compliance with this Code by any employee, director, officer, or Representative, of EPI or an Affiliate with respect to the interactions of the Affiliate with EPI will be considered to be addressed pursuant to this Code. Non-compliance with this Code by an employee director, officer, Representative, of EPI or an Affiliate may subject such individual to internal disciplinary action.

**Measure:** All employees and provisioned contractors are required to report material Non-compliances related to the Code to the Compliance Officer. The Compliance Officer will provide a summary of the Non-compliance and associated Corrective and Preventive Actions in the Quarterly Compliance Report to the Enbridge Inc. Chief Compliance Officer.

## III. PROCEDURES

### 3.1 COMMUNICATION OF CODE REQUIREMENTS

EPI is responsible for ensuring compliance with this Code. EPI shall communicate the contents of this Code and any modifications to it from time to time to its employees, directors, officers, Representatives, and Affiliates. EPI shall make this Code available on its internal and external websites.

**Requirement (a):** LP Ethics & Compliance will post the Code on the EPI internal Website with a description of the content owner should there be any questions or concerns.

**Requirement (b):** LP Ethics & Compliance will also post the Code on the external Enbridge Inc. website.

**Requirement (c):** LP Ethics & Compliance will check the internal and external websites quarterly, to confirm that the Code remains posted.

**Requirement (d):** The Compliance Officer will post notices and articles of the Code approximately once each quarter in an internal publication.

**Requirement (e):** LP Ethics & Compliance will post the online manual Code training.



## **3.2 TRAINING OF CODE REQUIREMENTS**

New EPI employees whose primary job functions include commercial and business development services will be required to take training on Confidential Information within twelve months of commencement of employment. Existing employees who provide Shared Customer Services or whose primary job functions include commercial and business development services will be required to take Confidential Information training annually. Training will be available through eLMS, and will be accessible on the eLMS site and the EPI internal website. In addition, members from LP Ethics & Compliance and Law & Regulatory Affairs will present in person training to targeted groups throughout the calendar year.