



## **Corrective Action Plan (CAP)**

# **Safety Management Program**

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Submitted by TransCanada PipeLines Limited and  
its National Energy Board – Regulated Subsidiaries  
to address non-compliant findings in the  
National Energy Board’s  
*Final Audit Report – Safety Management Program*

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## 1. AUDIT FINDINGS

The *National Energy Board Onshore Pipeline Regulations* Final Audit Report (March 31, 2014) on TransCanada PipeLines Limited's (TransCanada) Safety Management Program (SMP) identified findings in the following various Management System sub-elements:

Finding	NEB Element	NEB Sub-Element
1	1.0 Policy and Commitment	1.2 Policy and Commitment Statements
2	2.0 Planning	2.1 Hazard Identification, Risk Assessment and Control
3		2.2 Legal Requirements
4		2.3 Goals, Objectives and Targets
5	3.0 Implementation	3.3 Management of Change
6		3.6 Documentation and Document Control
7	4.0 Checking and Corrective Action	4.1 Inspection, Measurement and Monitoring
8		4.3 Internal Audits
9		4.4 Records Management
10	5.0 Management Review	5.1 Management Review

In addition to a number of improvement areas identified for the SM P, there were also several positive observations including:

- Confirmation that the SMP demonstrates that company personnel are appropriately informed of and trained in safety management practices and procedures; and
- TransCanada has demonstrated that it has developed and implemented a program to manage and control the hazards associated with potential safety incidents and emergencies with its operations.

## 2. CAP RESPONSE METHODOLOGY

In developing this Corrective Action Cap (CAP), TransCanada considered the National Energy Board (NEB) findings, Onshore Pipeline Regulations (OPR), current practices, scope, resourcing requirements and implementation timelines. While preliminary milestones have been established to address all findings, the working teams formed will establish more detailed execution plans. The steps and timelines presented in this CAP are TransCanada's best estimate for the time to complete the work outlined, assuming approval of the CAP within 30 days from submission. TransCanada will notify the NEB

in advance if at any time during the implementation of these improvement activities outlined in the CAP, significant changes to the plans are required.

Where findings were common across all five of the protection programs audited by the NEB (Protection Programs), TransCanada will consider implementing broader systemic processes to address the gaps identified. This cross-functional and organizational review is a significant undertaking that will require time to design, develop and implement. To accomplish this, TransCanada proposes the establishment of cross-functional working teams and governance committees to ensure organizational alignment and support. Intermediate deliverables have been established for these broader issues to measure progress on these CAPs. Once key corrective actions are implemented, an internal review will be undertaken to determine adherence and effectiveness of new processes and procedures. Therefore, some CAP milestones have been extended to allow for the review cycle.

Detailed below are brief summaries of the audit findings and TransCanada's proposed corrective action to address each finding.

### **3. SUB-ELEMENT 1.2: POLICY AND COMMITMENT STATEMENTS**

#### **3.1 Finding**

The TransCanada Health, Safety and Environment Management System (HSE) identifies safety management activities, responsibilities, processes and the enabling tools and the Code of Business Ethics (COBE) outlines reporting requirements. However, these documents do not include or incorporate a specific policy for the internal reporting of hazards, potential hazards, incidents and near-misses including the conditions under which a person who makes a report will be granted immunity from disciplinary action as required by the NEB. As a result, the NEB found TransCanada to be Non-Compliant with this sub-element.

#### **3.2 Corrective Action**

TransCanada has updated its HSE Commitment Statement to include language that clearly defines that employees are immune from retaliation resulting from reporting of hazards, potential hazards, incidents and near misses.

TransCanada will revise the language in the COBE and the Incident Management Program to more clearly state that immunity from retaliation for reporting is provided for those who report issues, incidents, hazards or near misses.

TransCanada will deliver a focused communication and awareness campaign to ensure that employees and in-house contractors are aware of the changes made and processes for reporting.

### **3.2.1 CAP Schedule / Stage Gates for Implementation**

The documents will be updated by December 31, 2014, and communicated to employees and in-house contractors by May 31, 2015.

#### **3.2.1 Benchmarks for Determining Success**

The following measures will be used to benchmark the success of the corrective actions:

- Updated HSE Commitment Statement;
- Updated Incident Management Program Document;
- Updated COBE; and
- Executed awareness campaign.

## **4. SUB-ELEMENT 2.1: HAZARD IDENTIFICATION, RISK ASSESSMENT AND CONTROL**

### **4.1 Finding**

TransCanada demonstrated that it has established and implemented a SMP incorporating procedures and several types of tools for the identification of hazards and controls to mitigate those hazards. However, it was not able to demonstrate that it has introduced the required level of specificity for the establishment of a hazard inventory, the evaluation of risk or a systematic implementation of corresponding controls as required by the NEB. As a result, the NEB found TransCanada to be Non-Compliant with this sub-element.

### **4.2 Corrective Action**

TransCanada will formalize and implement a process for identifying, analyzing and consolidating an inventory of its hazards and potential hazards for its Protection Programs. TransCanada will review, refine and implement a consolidated process for evaluating and managing the risks associated with the identified hazards, including the risks related to normal and abnormal operating conditions.

TransCanada will further refine these processes by first compiling a hazard inventory that incorporates hazards previously identified in existing processes, then revise the hazard identification process and re-evaluating the inventory.

Following the documentation of these processes, TransCanada will develop and deliver the awareness training for Protection Program stakeholders that will enable them to carry out the processes outlined. Existing documents will be modified to reference the updated processes.

All processes noted above, including hazard identification and analysis, hazard inventories and risk assessment, will be documented and housed in a corporate document controlled repository that will provide:

- Accessibility by program owners and program staff;
- Review by dates specified;
- Reference to document/process owner;
- Revision control; and
- Version control.

#### **4.2.1 CAP Schedule / Stage Gates for Implementation**

The milestones for these corrective actions include:

- Compile existing Hazard Inventories - September 30, 2014;
- Finalized process for identifying, analyzing and creating an inventory of Hazards – December 31, 2014;
- Finalized process for assessing risk – December 31, 2014;
- Process Training completion – March 15, 2015;
- Refined Hazards Inventory based on updated process – April 15, 2015; and
- Document changes completed – May 15, 2015.

#### **4.2.2 Benchmarks for Determining Success**

The following measures will be used to benchmark the success of the corrective actions:

- Hazard Inventory populated using current processes for all Protection Programs;
- Hazard Identification and analysis process developed and documented;
- Hazard Inventory process developed and documented;
- Risk Assessment process developed and documented;
- Training on updated processes provided to Protection Program stakeholders;
- Updated Hazard Inventory based on new processes developed; and



- Existing TransCanada documents updated to reference new processes.

## **5. SUB-ELEMENT 2.2: LEGAL REQUIREMENTS**

### **5.1 Finding**

TransCanada demonstrated that it is tracking, listing and conducting some internal notifications regarding its legal responsibilities as that relates to regulatory changes. However, it did not demonstrate that it has a complete list of legal requirements. It also did not demonstrate an effective process to ensure regulatory changes trigger necessary program changes or communication to all staff involved in the SMP. As a result, the NEB found TransCanada to be Non-Compliant with this sub-element.

### **5.2 Corrective Action**

To address the NEB's findings for the Legal Requirements sub-element, TransCanada will review, update, populate and maintain a list of regulatory requirements for the SMP for NEB-regulated facilities and activities.

TransCanada will also implement a common process for identifying and managing changes to legal requirements applicable to SMPs for NEB regulated assets. The process will consolidate and improve upon existing legislative monitoring processes currently in use and will leverage the concordance table that will be developed.

Following the establishment of the processes and related documents, TransCanada will develop and deliver awareness training to Protection Program stakeholders that will enable them to carry out the processes outlined. Once the training is complete, existing program documents will be modified using the new process.

#### **5.2.1 CAP Schedule / Stage Gates for Implementation**

The milestones for these corrective actions include:

- Compile a comprehensive list of legal requirements for NEB regulated facilities and associated activities – December 31, 2014;
- Develop a concordance table to align legal requirements with TransCanada's facilities and associated activities – December 31, 2015;
- Develop a process for legislative monitoring – March 31, 2015;
- Process Training completion – September 30, 2015; and
- Relevant document changes completed – December 31, 2015.

### 5.2.2 Benchmarks for Determining Success

The following measures will be used to benchmark the success of the corrective actions:

- Concordance table developed and aligned to NEB Regulations;
- Legislative monitoring process updated;
- Training on updated processes provided to Protection Program stakeholders; and
- Existing TransCanada documents updated to reference new processes.

## 6. SUB-ELEMENT 2.3: GOALS, OBJECTIVES AND TARGETS (GOT)

### 6.1 Finding

During the audit, and to advance the NEB's assessment of this sub-element, the NEB's auditors requested clarification from TransCanada via a table of concordance to confirm the appropriate correlation between TransCanada's varied internal terminology and the regulatory requirements. This table was not, however, provided to NEB auditors during the audit. As a result, the NEB found that TransCanada did not demonstrate compliance with respect to the requirements associated with this sub-element. In developing the CAP for this finding, TransCanada will have to demonstrate clearly how it is meeting these expectations. As a result, the NEB found TransCanada to be Non-Compliant with this sub-element.

### 6.2 Corrective Action

TransCanada will develop GOTs that are more specifically tied to its SMP, including metrics around creating a safe work environment and Health & Safety Performance. Further work will be performed to link GOT for each hazard control protection subprogram.

TransCanada will also review and standardize its processes for setting GOTs for all of its Protection Programs. The process will be documented and include provisions for communication to SMP stakeholders. Following the establishment of the process, TransCanada will provide awareness training for Protection Program stakeholders that will enable them to carry out the processes outlined.

Once the training is complete, GOTs for the SMP will be set using the updated process. The program level GOTs will be documented and used as a basis for the development of subprogram level GOTs. This systematic approach will promote alignment of program level and corporate safety GOTs. Once all GOTs are developed, remaining document updates will proceed to ensure appropriate linkages are made to the new GOTs and references within existing documentation are correct.

The GOTs setting process noted will be documented and housed in a corporate document controlled repository that will provide:

- Accessibility by program owners and program staff;
- Review by dates specified;
- Reference to document/process owner;
- Revision control; and
- Version control.

### **6.2.1 CAP Schedule / Stage Gates for Implementation**

The milestones for these corrective actions include:

- Finalize GOTs setting process – February 13, 2015;
- Process training completion – April 30, 2015;
- Finalize program level GOTs – May 15, 2015;
- Finalize sub-program level GOTs – September 15, 2015; and
- Complete document changes – October 31, 2015.

### **6.2.2 Benchmarks for Determining Success**

The following measures will be used to benchmark the success of the corrective actions:

- GOTs setting process for Protection Programs is reviewed, standardized and documented;
- Training on updated processes above provided to Protection Program stakeholders;
- Program GOTs are incorporated into program documentation; and
- Program documentation is housed in a corporate document controlled repository.

## **7. SUB-ELEMENT 3.3: MANAGEMENT OF CHANGE**

### **7.1 Finding**

TransCanada has developed some aspects of a Management of Change (MOC) process. It has also begun implementing some elements of the plan as they related to pipeline integrity and operating procedures. The new Management of Change is scheduled to be fully implemented by the end 2014. However, at the time of the audit, TransCanada did not demonstrate that it has an established and implemented a proactive process for identifying and managing changes that could affect safety. As a result, the NEB found TransCanada to be Non-Compliant with this sub-element.

### **7.2 Corrective Action**

TransCanada is in the midst of implementing a revised MOC framework, which provides a consistent methodology for the management of change. This framework reflects a more comprehensive approach beyond the use of the Pipe Integrity MOC and TransCanada Operating Procedures (TOPs) MOC processes as reviewed during the audit.

The revised MOC process manages technical and physical changes, document change procedures, and variances and process changes for the Operations and Engineering (O&E) department.

A pilot program for this process was completed, and lessons learned were incorporated. It will now be implemented for all SMPs.

#### **7.2.1 CAP Schedule / Stage Gates for Implementation**

The milestones for these corrective actions include:

- MOC rollout and training to all SMP personnel for NEB-regulated facilities – October 31, 2014; and
- Internal audit of consistent use of process – April 30, 2015.

#### **7.2.2 Benchmarks for Determining Success**

The following measures will be used to benchmark the success of the corrective actions:

- MOC rolled out on schedule;
- Training completed on updated processes provided to Protection Program stakeholders for NEB regulated facilities; and
- Audit of consistent use of the process completed.

## **8. SUB-ELEMENT 3.6: DOCUMENTATION AND DOCUMENT CONTROL**

### **8.1 Finding**

TransCanada has an established Electronic Document Management System to control documents across TransCanada operations. The NEB is of the view that there is no process for preparing, reviewing, revising and controlling of safety-related non-procedural documentation such as standards and plans including contractor documentation. As a result, the NEB found TransCanada to be Non-Compliant with this sub-element.

### **8.2 Corrective Action**

The TOPs program framework document provides the basis for continuous improvement of the TOPs. This framework outlines the process for planning, document development, analysis, measurement, control, audits and alignment with management systems. The majority of TransCanada's documentation for the SMP is kept in the TOPs database.

To address the NEB's findings for the Documentation and Document Control sub-element, TransCanada will review SMP documents that are not currently maintained in the TOPs database and reviewed through the TOPs process, define reviewers for annual review of these documents, and then store and maintain them going forward utilizing the TOPs database.

#### **8.2.1 CAP Schedule / Stage Gates for Implementation**

The milestones for these corrective actions include:

- Completed list of other SMP documents with document management gaps – August 15, 2014;
- Implementation plan to address other SMP document management gaps by September 30, 2014;
- Incorporate SMP documents into the TOPs database – December 31, 2014; and
- Review and further development of a document control corporate standard will be completed – March 31, 2015

#### **8.2.2 Benchmarks for Determining Success**

The following measures will be used to benchmark the success of the corrective actions:

- Documents referenced in the Safety Management Audit Report updated to include review and revision guidance;

- Documents referenced in the Safety Management Audit Report incorporated into the TOPs document control system; and
- Review of other safety documents outside of a document control system completed.

## **9. SUB-ELEMENT 4.1: INSPECTION, MEASUREMENT AND MONITORING**

### **9.1 Finding**

The NEB's review of the inspection documentation and records identified some deficiencies with respect to the requirements. Specifically, the inspections performed do not adequately address the evaluation of effectiveness of all safety processes and procedures. For example, inspections do not evaluate the adequacy and effectiveness of the orientation and training procedures, permitting procedures, pre-job planning, working alone, manual material handling etc.

TransCanada demonstrated that it has established an inspection process applicable to its SMP, however the process did not meet the requirements associated with this sub-element. As a result, the NEB views these processes as being Non-Compliant in meeting its expectations associated with this sub-element.

### **9.2 Corrective Action**

To address this finding TransCanada will review and update the Planned Inspection form to include criteria for the topics that were identified in the NEB audit. In addition, TransCanada will review its inspection, measurement, monitoring and internal audit processes to evaluate the most appropriate approach to assessing the adequacy and effectiveness of the SMP and the related sub programs that are currently not addressed by the Planned Inspection process. Section 10 (Sub-element 4.3 Internal Audit) outlines how TransCanada will update its internal audit processes to align with the requirements of the OPR.

#### **9.2.1 CAP Schedule / Stage Gates for Implementation**

The milestones for these corrective actions include:

- Review Planned Inspection Procedure – October 31, 2014;
- Updated Planned Inspection Procedure – December 31, 2014; and
- Training and communication of Planned Inspection Procedure – March 31, 2015.

### **9.2.2 Benchmarks for Determining Success**

The following measures will be used to benchmark the success of the corrective actions:

- Planned Inspection Procedure updated;
- Changes communicated to stakeholders; and
- Improvement in completeness of planned inspections and reports.

## **10. SUB-ELEMENT 4.3: INTERNAL AUDITS**

### **10.1 Finding**

TransCanada demonstrated that its quality assurance program is implemented on a frequency that exceeds regulatory requirements. However, implementation of the program only measures performance relative to internal TransCanada requirements and does not include compliance relative to legal requirements. As a result, the NEB found TransCanada to be Non-Compliant with this sub-element.

### **10.2 Corrective Action**

To address the NEB's findings for the Internal Audit sub-element, TransCanada will review audit procedures and protocols for incorporation of records of verification to legal requirements. This CAP will be implemented in conjunction with the CAP for Sub-Element 2.2, and will incorporate regulatory requirements into the audit protocols. Accordingly the timetable for completion of this CAP is linked to the milestones for the CAP for Sub-Element 2.2.

Further development of the process whereby management evaluates and prioritizes audit findings for corrective and preventive action is addressed in the Management Review CAP.

#### **10.2.1 CAP Schedule / Stage Gates for Implementation**

The milestones for these corrective actions include:

- Develop a process for auditing compliance to legal requirements at the sub-program level – July 31, 2015; and
- Implement changes to the audit process and plan to incorporate a subsection for legal requirements – July 31, 2015.

### **10.2.2 Benchmarks for Determining Success**

The following measure will be used to benchmark the success of the corrective actions:

- Internal audit procedures and protocols revised to include assessment of compliance to legal requirements.

## **11. SUB-ELEMENT 4.4: RECORDS MANAGEMENT**

### **11.1 Finding**

TransCanada has implemented a record retention process as outlined in the Operating Procedures Program Framework and this process addresses the controls of records related to (TOPs) and includes appropriate types of records to be retained, the retention and disposition timeframes and the disposal methods. However, safety related records at several locations indicated varying record storage and retention practices and interviews confirmed there were no formal procedures for retaining safety related records such as permits, minutes and contractor documentation. As a result, the NEB found TransCanada to be Non-Compliant with this sub-element.

### **11.2 Corrective Action**

TransCanada will review and update the training materials for our records management process and then roll out the training to personnel. Targeted audits will be conducted at various facilities in each region to confirm compliance with the process.

To ensure that changes to records management are properly implemented TransCanada will continue to utilize its TOP Framework and Corporate Policy Governance practices for the management of records. TransCanada has recently reviewed and updated its O&E Management of Change Framework (i.e. QM-MOC-P-DOC O&E Documents Change Procedure). TransCanada will continue to utilize this framework to demonstrate and effectively establish the process as it relates to the management of records.

#### **11.2.1 CAP Schedule / Stage Gates for Implementation**

The milestones for these corrective actions include:

- Complete update of the records management training material – December 31, 2014;
- Roll-out revised training to personnel – March 31, 2015; and
- Perform targeted audit at selected facilities to confirm compliance with procedure – December 31, 2015.



### **11.2.2 Benchmarks for Determining Success**

The following measures will be used to benchmark the success of the corrective actions:

- Delivered Training on Records Management; and
- Records are maintained as per the TransCanada's Operating Procedures Program Manual.

## **12. SUB-ELEMENT 5.1: MANAGEMENT REVIEW**

### **12.1 Finding**

The NEB was able to confirm that TransCanada is undertaking a significant number of management review activities consistent with the descriptions included in TransCanada's HSE Framework document. However, the NEB considers senior management's involvement and performance in particular areas to be critical. These include evaluating and managing the results of audits, and the results of compliance verification activities conducted by regulatory agencies. The NEB has made findings of non-compliance in other sub-elements dealing with the development of the scope of company audits, and the development and implementation of corrective action plans, which it views to properly fall within the care and control of senior management. In addition, TransCanada was unable to demonstrate a documented and comprehensive management review process of the SMP describing activities for adequately and effectively undertaking management reviews on a consistent basis and for ensuring continual improvement. Based on these reasons, the NEB found TransCanada to be Non-Compliant with this sub-element.

### **12.2 Corrective Action**

TransCanada will improve management review of safety related issues through quarterly reporting on the safety management metrics and GOT as discussed in Section 6.2 above.

TransCanada will also develop criteria to assist senior leaders in prioritizing issues and audit findings tied to compliance.

To address the NEB's remaining finding for the Management Review sub-element, TransCanada will review and consolidate its existing management review processes and incorporate into an annual management review of the programs contained in the SM P. The review will consider the management system and SMP to ensure continual improvement. The annual review will include a review of any decisions, actions and commitments, which relate to the improvement of the management system and Protection Programs, and the company's overall performance.

### 12.2.1 CAP Schedule / Stage Gates for Implementation

The milestones for these corrective actions include:

- Update reporting of SMP metrics to reflect revised GOTs – December 31, 2014;
- Develop criteria for prioritizing management actions for audit findings – December 31, 2014;
- Finalize process for annual Management Review – February 28, 2015; and
- Complete proposed document changes – May 15, 2015.

### 12.2.2 Benchmarks for Determining Success

The following measures will be used to benchmark the success of the corrective actions:

- Quarterly reporting of updated SMP metrics in place;
- Audit findings criteria for prioritizing management actions in place;
- Process for conducting an annual management review of the management system and each Protection Program established;
- Training on updated processes above provided to Protection Program stakeholders; and
- Existing TransCanada documents updated to reference new processes.

## 13. MANAGEMENT REVIEW OF CAP OUTCOMES

Regular updates to management on the progress of the CAP will be provided through regular reporting and progress reviews.

### Responsible Vice President and affected Directors and Managers

The progress of the CAP will be reported in the applicable Business Review Report to the Manager, Director, and Vice President levels of the responsible departments. The Vice Presidents and their Directors complete a formal quarterly review of information, which may include scorecards and summaries quarterly to ensure timely line of sight to the progress of the CAP and to identify required actions to ensure GOTs are met.

### Senior Management

The progress of the CAP will be communicated to the O&E Senior Governance Committee (SGC) through the O&E Scorecard. The SGC provides the highest level of management governance. At the SGC level, formal monthly management reviews are

held to discuss key items of concern, including any material deviations from the CAP objectives and required actions to ensure objectives can be met. The SGC is led by TransCanada's Executive Vice President of O&E and includes the Vice Presidents of Pipeline Integrity, Engineering and Asset Reliability, Canadian & Mexico Pipeline Operations, Pipeline Safety and Compliance and Community, Safety and Environment (CS&E).

The progress of the CAP will also be communicated to the Corporate HSE Committee. The Corporate HSE Committee is chaired by the Vice President of CS&E and comprised of Senior Leaders from O&E and Major Projects with advisors from CS&E Management. This committee addresses health, safety and environment issues related to the development, design, construction and operation of TransCanada business.

The findings and corrective actions along with interim dates and deadlines will be tracked and progress reported as noted above. A summary is provided in **Table 1**.

As required by the SMP, internal audits of the subprograms in the SMP will be tracked and progress reported as noted above on a three-year cycle to further identify areas requiring management action.

TransCanada will also provide the NEB updates quarterly or as otherwise agreed upon on the progress of corrective actions until completion of the CAP.

**Table 1: Communication Summary**

MANAGEMENT TEAM	INFORM	REVIEW for ACTION	ACTION
Accountable Officer	Quarterly Reviews	Quarterly Reviews	Action Items
Responsible VP	Business Review Report	Monthly Meetings Monthly Scorecard Reviews Performance Review	Meeting Minutes
Responsible Director Manager CAP Lead	Business Review Report	Performance Review	Meeting Minutes