

FERC Code of Conduct

United States Liquids Pipelines

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1 Introduction

At Enbridge we recognize that our most valuable asset is our reputation. Every day, every decision we make and every action we take has the potential to impact our reputation with our stakeholders. To maintain our reputation, Enbridge is committed to operating with integrity and in strict compliance with both the letter and spirit of the law.

1.1 Liquids Pipeline Affiliate Code Purpose

The Federal Energy Regulatory Commission (“FERC”) regulates, and has broad authority over, a significant portion of Enbridge’s oil and natural gas business. Maintaining our reputation with FERC is essential to achieving our business objectives. This Code sets out in general terms the FERC regulatory and compliance framework within which we must operate and addresses how Enbridge’s liquid petroleum interstate transmission employees may interact with shipper and marketing function employees in order to protect confidential shipper information and to avoid providing any advantage to affiliated shippers that constitutes undue discrimination against other shippers.

1.2 Entities to Which the Code Applies

This Code applies to FERC regulated liquid petroleum pipelines in which Enbridge has majority ownership.

1.3 Employee Responsibilities

It is each employee’s responsibility to comply with FERC’s regulations while performing your job in a safe manner. You must: read and understand this Code; ask questions if FERC’s regulations or this Code are unclear; follow the law and FERC’s regulations at all times; and notify the Enbridge FERC Compliance Office if you have reason to believe there has been a potential violation of Enbridge’s compliance policies or FERC’s regulations. For purposes of this Code, “employee” is intended to include contractors, agents, consultants, and any other individual acting on behalf of Enbridge.

1.4 Management Responsibility

Although it is the responsibility of all employees to understand FERC’s rules, our managers and officers have increased responsibility within Enbridge for establishing a culture of compliance. Our managers must be role models when it comes to compliant behavior and lead by example in their words and actions. Managers must ensure that employees understand the regulatory environment in which we operate and provide the necessary resources to comply with the law and report non-compliant behavior. In no case shall a manager request or instruct any employee to violate FERC’s rules or this Code or take any adverse employment action against an employee for refusing to do so.

1.5 Why is Compliance with FERC Policy Important?

As a stakeholder in liquid petroleum markets, Enbridge believes that open, transparent and efficient markets, free from discrimination and manipulation, are in Enbridge’s long-term interest. It is this commitment to the efficient functioning of energy markets that guides our policies. We must be mindful, however, that in addition to impacting the integrity of the markets in which we operate, violations of FERC’s rules can subject Enbridge and its employees to significant penalties, criminal prosecution, suspension of Enbridge’s authorizations to conduct business, and severely damage Enbridge’s reputation.

2 The FERC Rules Governing Liquid Petroleum Pipelines

2.1 Confidential Shipper Information

Section 15(13) of the Interstate Commerce Act (“ICA”) **prohibits the disclosure of confidential shipper information** that might prejudice the shipper. The effect of this rule is that a FERC regulated pipeline is prohibited from disclosing the nature, kind, quantity, destination, consignee, routing and shipper of product tendered to the pipeline if (1) the information may be used to the detriment or prejudice of such shipper, or (2) the information may improperly disclose the shipper’s business transactions to a competitor.

2.2 No Undue Preference

Section 3(1) of the ICA bars undue preferences of any kind by interstate common carrier oil pipelines. In order to maintain compliance with this standard the following rules should be adhered to:

1. All non-discretionary tariff provisions relating to the provision of transmission service must be enforced
2. All discretionary tariff provisions relating to the provision of transmission service must be applied in a fair and impartial manner that treats all transmission customers in a non-discriminatory manner
3. Undue preference may not be given to any person in matters relating to transmission service (including but not limited to issues of price, scheduling, priority or balancing)

In order to maintain compliance with this standard with respect to affiliated shippers, the general rule of thumb is that the pipeline should not treat its shipper affiliate differently (better or worse) than other shippers on the pipeline. Additionally, the rules barring undue preference require that no shipper may have preferential access to material non-public transportation information. Examples of non-public pipeline information include: future tariff changes; future expansions; connections, reversals, addition or removal of origins or destinations; segmented costs and revenues; and anything else that would advantage a shipper if disclosed selectively.

2.3 The Independent Functioning Requirement

One of the key elements FERC will consider when reviewing claims of affiliate misconduct is the “independent functioning” requirement, which requires employees that are actively and personally engaged in day-to-day pipeline functions (“transmission employees”) to function independently from employees that are actively and personally engaged in day-to-day marketing functions (“marketing employees”). In general, marketing employees should not conduct transmission functions and transmission employees should not conduct marketing functions. However, transmission employees may buy and sell crude oil for operational reasons.

The rationale underlying the independent functioning requirement is that separation of transmission employees from marketing employees makes it less likely that transmission employees will give preferential treatment or improperly disclose information to affiliated shippers.^{2.4}

2.4 The No Conduit Rule

A second key element that the FERC will consider when enforcing the above regulations is ensuring that no employee serves as a conduit of confidential shipper information or non-public transportation information (collectively, “confidential pipeline information”) to marketing employees or any other party.

2.5 Interaction Among Affiliated Pipeline Entities

With regard to Enbridge affiliated pipeline entities, FERC does not require the independent functioning of each different pipeline owned by a single corporate entity. Pipeline affiliates may share employees and confidential pipeline information with each other, provided that they function independently from and do not disclose confidential pipeline information to the marketing employees.

3 Application Of The FERC Rules Of Conduct

In order to aid employees in their compliance with the above rules, the following guidance is provided. Below, we will discuss (1) how to properly classify employees (pipeline, shipper or other), (2) key guidelines that must be adhered to for each category of employee, (3) how the business should organize or structure its various departments and electronic systems to ensure compliance with the FERC rules.

3.1 Classification of Employees

Am I a “transmission employee” for purposes of the Code?

Transmission employees are actively and personally engaged on a day-to-day basis in pipeline transportation functions. For example, some common activities performed by transmission employees may include:



- direct, organize or supervise the details of pipeline transportation functions
- grant or deny transportation requests (including credit review)
- negotiate agreements with shippers

Am I a “marketing employee” for purposes of the Code?

Marketing employees are actively and personally engaged in day-to-day marketing activities. For example, some common activities performed by marketing employees may include:

- arrange for pipeline transportation of shipper’s product
- negotiate agreements with pipelines on behalf of the shipper company
- market crude oil or petroleum products

If I am not a transmission employee or a marketing employee, do these rules still apply to me?

Employees who are not directly engaged in day-to-day pipeline or shipper activities and those employees considered “shared services” (e.g., Human Resources, Upper Level Management, Legal, Tax) may not be categorized as a “transmission employee” or a “marketing employee” for purposes of the FERC Rules; however, these employees may have access to confidential pipeline information. As such, all employees will be required to adhere to the rules applicable to the proper handling of confidential pipeline information discussed herein.

3.2 Applicable Guidelines

The following guidelines shall apply to Transmission employees:

- Transmission employees shall function independently from marketing employees
- Transmission employees shall not disclose confidential pipeline information to shippers, especially affiliated marketing employees, or use another person as a conduit to make such a disclosure
- Transmission employees shall not unduly discriminate among shippers, especially in favor of affiliated shippers
- Transmission employees shall ask the FERC Compliance Office if they have any questions about compliance with these guidelines

The following guidelines shall apply to Marketing employees:

- Marketing employees shall function independently from transmission employees
- Marketing employees should not have access to confidential pipeline information
- Marketing employees shall not solicit confidential pipeline information from transmission employees or use another person as a conduit to obtain confidential pipeline information
- If a marketing employee finds that he or she is in possession of confidential pipeline information, then the marketing employee shall not act as a conduit of that information to any other marketing employees or third party shippers and shall notify the FERC Compliance Office of receipt of this information so that it may be properly handled.

The following guidelines shall apply to all Other Employees:

- Shall not be a conduit of confidential pipeline information to shippers, especially affiliated marketing employees
- Shall ask the FERC Compliance Office if they have any questions about compliance with these guidelines

Lastly, the following guidelines shall apply from an Enbridge Structural and/or Organizational perspective:

- Transmission and marketing groups should report to different managers. FERC recognizes that at some level of an integrated company there may be individuals with responsibility for both pipeline and marketing oversight. That is permissible, provided that those employees do not themselves engage in day-to-day pipeline or day-to-day shipping and marketing activities and do not act as a conduit of confidential pipeline information to marketing employees

- Transmission employees should be physically separated from the marketing employees in order to avoid unintended sharing of potentially confidential information. It is only necessary to separate employees that are actively and personally engaged in pipeline functions from those that are actively and personally engaged in marketing functions.
- Under no circumstances should marketing employees have access to pipeline computer systems (i.e., the control centre, pipeline scheduling systems, financial reporting, shipper related data, project management, etc.)
- Marketing employees should not be on email or other distribution lists for reports containing confidential pipeline information. If a transmission employee transfers into a role as a marketing employee, he or she is responsible for ensuring that any confidential pipeline communications are discontinued immediately.
- Employees should not be “cycled” between transmission and marketing groups. Please consult the FERC Compliance Office if you or one of your employees is moving between the transmission and marketing groups and there are any questions or concerns.

4 Compliance With The Rules Code

All employees and contractors are required to comply with this Code. To promote compliance the following steps will be taken:

- This Code will be distributed to all transmission employees, marketing employees, officers, directors, supervisory employees, shared services employees and any other employee likely to become privy to confidential pipeline information
- This Code will be posted on ELink.
- All transmission employees, marketing employees, officers, directors, supervisory employees, shared services employees and any other employee or contractor likely to become privy to confidential pipeline information will receive training regarding this Code on an annual basis. Annual training may be given in person or may be computer based. In person training will be tracked and recorded via signed attendance sheets and the computer based training program will, upon completion, automatically generate a record indicating that the relevant employee has undergone training regarding the Rules of Conduct. In person training will be given to each of the effected groups at least once every three years. New employees and contractors will be trained within the first 60 days of their employment.
- If at any time employees or contractors have questions regarding this Code they should contact the US FERC Compliance Office.

5 Conclusion

It is important that you comply not only with the specific guidelines set forth in this Compliance Manual, but with all of Enbridge’s policies and procedures.

If you have a question regarding the applicability of FERC’s rules, or if you suspect that FERC’s rules or Enbridge’s policies may have been violated, you should immediately contact Enbridge’s FERC Compliance Office.