

# FERC STANDARDS OF CONDUCT POLICY



## I. PURPOSE OF THE POLICY

This FERC Standards of Conduct Policy (the “Policy”) has been adopted by Pembina to ensure awareness of, and facilitate compliance with, U.S. Federal Energy Regulatory Commission (“FERC”) Standards of Conduct regulations applicable to Pembina’s Transmission Providers that conduct transportation transactions with affiliates that are engaged in Marketing Functions.

The Standards of Conduct are intended to maintain a level playing field amongst a pipeline’s customers, in particular between affiliated entities and other shippers. In other words, affiliated entities should not be unfairly advantaged over non-affiliated entities in the use of Pembina’s pipelines, including with respect to undue preferential access to information or transmission services.

To ensure that a Transmission Provider does not provide preferential treatment to its affiliate(s) engaged in Marketing Functions, the Standards of Conduct require Transmission Function Employees to operate independently from Marketing Function Employees, and prohibits Transmission Providers, or employees, agents, contractors, or consultants of a Transmission Provider or of an affiliate engaged in Marketing Functions, from providing Marketing Function Employees with access to non-public Transmission Function Information. Transmission Providers are required to implement, distribute and post procedures to ensure compliance with the Standards of Conduct.

Pembina’s Transmission Providers are subject to FERC’s Standards of Conduct regulations because they own and operate FERC-jurisdictional pipelines in the United States and conduct transportation transactions with affiliate(s) that are engaged in Marketing Functions. Since Pembina shares employees across assets based on job function, the FERC regulations may also be applicable to certain Canadian officers, directors, employees, agents, contractors and consultants of the Transmission Providers and their affiliates engaged in Marketing Functions.

## II. SCOPE AND APPLICATION

This Policy applies to all officers, employees, agents, consultants, contractors and directors of Pembina (“Personnel”). The FERC Standards of Conduct apply to Responsible Parties. These procedures are effective as of October 17, 2018.

## Definitions

In this Policy:

“**Affiliate**” means another person that controls, is controlled by or is under common control with, the specified entity. An affiliate includes a division of the specified entity that operates as a functional unit;

“**Chief Compliance Officer,**” also referred to as the Pembina Lead Compliance Director in certain Transmission Provider Standards of Conduct procedures, means the Interim Lead Compliance Director of Pembina, Harvey Steblyk;

“**Compliance Procedures**” means the procedures implemented by Pembina to assist Responsible Parties in complying with the Standards of Conduct;

“**Control**” means the direct or indirect authority, whether acting alone or in conjunction with others, to direct or cause to direct the management policies of an entity. A voting interest of 10 percent or more creates a rebuttable presumption of control;

“**Corporation**” means Pembina Pipeline Corporation;

“**Customer Information**” means non-public information acquired from non-affiliated Transmission Customers or potential non-affiliated Transmission Customers, or developed in the course of responding to requests for transmission service;

“**FERC**” means the U.S. Federal Energy Regulatory Commission;

“**Marketing Function**” means, in the case of interstate pipelines and their affiliates, the sale for resale in interstate commerce, or the submission of offers to sell in interstate commerce, natural gas, subject to the following exclusions:

- (i) bundled retail sales,
- (ii) incidental purchases or sales of natural gas to operate interstate natural gas pipeline transmission facilities,
- (iii) sales of natural gas solely from a seller’s own production,
- (iv) sales of natural gas solely from a seller’s own gathering or processing facilities, and
- (v) sales by an intrastate natural gas pipeline, by a Hinshaw interstate pipeline<sup>1</sup> exempt from the United States Natural Gas Act, or by a local distribution company making an on-system sale;

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<sup>1</sup> Hinshaw pipelines are local distribution pipelines or companies served by interstate pipelines that are not subject to FERC jurisdiction by reason of section 1(c) of the United States Natural Gas Act.

**“Marketing Function Employee”** means an employee, contractor, consultant or agent of Pembina or of an affiliate of Pembina who actively and personally engages on a day-to-day basis in Marketing Functions;

**“Pembina”** means collectively, the Corporation and its subsidiaries;

**“Policy”** means this FERC Standards of Conduct Policy;

**“Responsible Parties”** means Pembina’s Transmission Providers, affiliates engaged in Marketing Functions, Transmission Function Employees, Marketing Function Employees, and any officers, directors, supervisory employees, and other employees likely to become privy to Transmission Function Information;

**“Standards of Conduct”** means the Standards of Conduct for Transmission Providers mandated by the FERC Order No. 717, as may be amended;

**“Transmission”** means natural gas transportation, storage, exchange, backhaul, or displacement service provided pursuant to subparts B or G of Part 284 of Title 18 of the U.S. Code of Federal Regulations;

**“Transmission Customer”** means any eligible customer, shipper or designated agent that can or does execute a transmission service agreement or can or does receive transmission service, including all persons who have pending requests for transmission service or for information regarding transmission;

**“Transmission Function”** means the planning, directing, organizing or carrying out of day-to-day transmission operations, including the granting and denying of transmission service requests;

**“Transmission Function Employee”** means an employee, contractor, consultant or agent of Pembina who actively and personally engages on a day-to-day basis in Transmission Functions;

**“Transmission Function Information”** means information related to Transmission Functions; and

**“Transmission Provider”** means any interstate natural gas pipeline that transports natural gas for others pursuant to subparts B or G of part 284 of the FERC rules and regulations. It does not include a natural gas storage provider authorized to charge market-based rates.

### III. PRINCIPLES

#### A. Compliance Procedures for Standards of Conduct

This Policy reflects Pembina’s commitment to full compliance with the FERC Standards of Conduct, including compliance with the general principles concerning non-discriminatory and non-preferential conduct for Transmission Providers, the independent functioning of Transmission Function Employees and Marketing Function Employees, the prohibited use of anyone as a conduit to disclose non-public Transmission Function Information to Marketing Function Employees, and the transparency requirements applicable to non-public Transmission Function Information. In developing Standards of Conduct compliance procedures, Pembina shall ensure that such compliance procedures include the following:

- 1) **Training** – Transmission Providers will provide annual training on the Standards of Conduct to all Responsible Parties, including:
  - New board members, employees or contractors, to whom training is applicable, must be trained within 30 days of their start date.
  - Employees or contractors who are changing jobs into a role that requires training must complete their training within 30 days of the start of their new accountabilities.
  - In all cases, training must be completed once per calendar year and training records maintained.

The status of required training will be monitored continuously and reported to the Chief Compliance Officer of the Transmission Provider.

- 2) **Identification of Employees** – Identification of all Marketing Function Employees and Transmission Function Employees and maintaining a list of all such personnel on an ongoing basis.
- 3) **Non-Discriminatory Information Sharing** – Methods for sharing the list of Marketing Function Employees and Transmission Function Employees with Responsible Parties.
- 4) **Separation of Facilities** – Protocols to ensure that Transmission Function Employees and Marketing Function Employees do not share a work area in the same facility, or are located on separate floors, with Marketing Function Employee access to Transmission Function Employee work areas restricted through use of key cards or other locking devices, and to ensure that separation protocols exist to restrict Marketing Function Employee access to computer files, applications, and databases containing non-public Transmission Function Information.

## **B. Standards of Conduct**

The following Standards of Conduct for Pembina Transmission Providers are mandated by FERC:

### **1. The Non-Discrimination Rule**

Transmission Provider must treat all customers, affiliated and non-affiliated, on a not-unduly discriminatory basis, and must not make or grant any undue preference or advantage to any person or subject any person to any undue prejudice or disadvantage with respect to the transportation of natural gas in interstate commerce or requests for such transportation service, or with respect to the wholesale sale of natural gas in interstate commerce.

### **2. The No-Conduit Rule**

Transmission Provider, and the employees, contractors, consultants, and agents of Transmission Provider and its affiliates engaged in Marketing Functions, are prohibited from disclosing, or using anyone as a conduit to disclose, non-public Transmission Function Information, such as information regarding future available pipeline capacity and outages that is not yet public, or non-public transmission Customer Information relating to individual shippers and the business they conduct on the pipeline, to any Marketing Function Employees, except as specifically permitted by the FERC rules.

### 3. The Independent Functioning Rule

Transmission Function Employees must function independently from the Marketing Function Employees, except as specifically permitted by the FERC rules. This means Transmission Function Employees and Marketing Function Employees must be physically separated and may not perform one another's roles. Marketing Function Employees may also not have access to any gas control center or any software applications that allow access to non-public Transmission Function Information, including Customer Information.

### 4. The Transparency Rule

A Transmission Provider must provide equal access to non-public Transmission Function Information disclosed to Marketing Function Employees to all its customers, affiliated and non-affiliated, except in the case of confidential Customer Information or Critical Energy Infrastructure Information, as discussed below.<sup>2</sup> This rule requires a Transmission Provider to post certain information on its informational postings site except as specifically permitted by the FERC rules. In particular, if any non-public Transmission Function Information is provided to a Marketing Function Employee in contravention of the Standards of Conduct, then a Transmission Provider must immediately post such information so that all shippers have equal access to that information. However, if any non-public Transmission Customer Information is disclosed without customer consent or any Critical Energy Infrastructure Information is disclosed, a Transmission Provider must immediately post a notice that the information was disclosed on its informational postings site but should not post the information itself.

### C. Chief Compliance Officer

The Corporation shall appoint a Chief Compliance Officer to ensure compliance with this Policy and the Compliance Procedures, to ensure Pembina's compliance with the applicable aspects of the compliance procedures of the Pembina Transmission Providers, and to serve as a contact for the Chief Compliance Officer of any Pembina Transmission Provider.

The Chief Compliance Officer shall actively enforce this Policy and engage with Responsible Parties to ensure the established Compliance Procedures are adhered to, and to perform internal audits and monitoring, as needed.

## IV. RESPONSIBILITIES

Compliance with the FERC Standards of Conduct compliance procedures is the collective responsibility of all Responsible Parties. All such persons will receive a copy of the FERC Standards of Conduct for the applicable Transmission Provider and will be required to complete associated training and certify their compliance within 30 days of their start date and annually.

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<sup>2</sup> "Critical Energy Infrastructure Information" is defined in 18 C.F.R. § 388.113(c)(1).

The Chief Compliance Officer of Pembina is the Interim Lead Compliance Director, Harvey Steblyk. Any associated questions or enquiries may be directed to the identified Chief Compliance Officer in Calgary.

## V. COMPLIANCE

Personnel must comply with this Policy at all times. Violations of the FERC Standards of Conduct can have serious consequences for Pembina. Therefore, any breaches of this Policy may result in disciplinary action up to and including termination of employment for cause or termination of engagement, as well as potential civil and criminal sanctions.

Violations of this Policy should be reported in accordance with Pembina's Whistleblower Policy.

Should you have any questions or require more information, please contact the Chief Compliance Officer.

## VI. REVIEWED AND APPROVED

The Vice President, Transmission Pipelines is the executive responsible for this Policy. This Policy will be reviewed annually by the Vice President, Transmission Pipelines and submitted to the Executive Committee for approval. In addition, this Policy will be reviewed by the Governance, Nominating and Corporate Social Responsibility Committee every three years, or when there are any material changes made to the Policy.

This Policy was last approved by the Executive Committee on October 17, 2018.

## VII. RELATED POLICIES

The following policies relate to the subject matter of this Policy:

- **Inter-Affiliate Restricted Information Policy**
- **Whistleblower Policy**
- **Code of Ethics**

## VIII. SUPPORTING DOCUMENTS

Rules and Conventions in support of this Policy may be created and approved by the Vice President, Transmission Pipelines and the Governance, Nominating and Corporate Social Responsibility Committee. The following Rule supports this Policy:

- **FERC Standards of Conduct – Implementation Procedures**
- **FERC Compliance Procedures**
- **Records Retention Manual**