



Canada Energy  
Regulator

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**Final Audit Report**

**Steel Reef Pipelines Canada Corporation**

**Topic: Annual Report**

**CV2425-007**

**Folder ID 5070192**

**14 January 2025**

## Executive Summary

The Canada Energy Regulator (**CER**) expects pipelines and associated facilities within the Government of Canada's jurisdiction to be constructed, operated, and abandoned in a safe and secure manner that protects people, property, and the environment. To this end, the CER conducts a variety of compliance oversight activities, such as audits.

Section 103 of the *Canadian Energy Regulator Act* (S.C. 2019, c. 28, s. 10) (**CER Act**) authorizes inspection officers to conduct audits of regulated companies. The purpose of these audits is to assess compliance with the CER Act and its associated Regulations.

The purpose of operational audits is to ensure that regulated companies have established and implemented both a management system and its associated programs, as specified in the *Canadian Energy Regulator Onshore Pipeline Regulations* (SOR/99-294) (**OPR**).

The CER conducted an operational audit of Steel Reef Pipelines Canada Corporation (**Steel Reef or the company**) between 26 August 2024 and 1 November 2024. The focus of the audit was on the company's annual report for the 2023 operational year. The annual report requirements within section 6 of the OPR support fundamental components of a management system, such as continual improvement and leadership. The annual report must be signed by the accountable officer, and it must describe as a minimum:

- the adequacy and effectiveness of the management system and programs;
- any deficiencies identified through the company's quality assurance measures; and
- the status of the actions being taken to rectify any deficiencies.

The objectives of this audit are to verify that Steel Reef's annual report meets the requirements of the OPR and that the company has the necessary processes, procedures, and work instructions in place to fulfil the requirements of section 6 of the OPR.

Of the five regulatory requirements that were evaluated; three were deemed to have No Issues Identified. The remaining two were found to be Non-compliant. One of the non-compliances was based on the fact that the company's annual report did not include a discussion about the company's success in achieving its goals, objectives, and targets (**GOATs**) as evaluated through its performance measures. The second non-compliance was because the annual report did not include an evaluation of the adequacy and effectiveness of the company's management system. A summary of the audit findings can be found in [Section 4](#) of this report.

Within 30 calendar days of receiving the Final Audit Report, the company shall file with the CER a Corrective and Preventive Action (**CAPA**) plan that outlines how the non-compliant findings will be resolved. The CER will monitor and assess the implementation of this CAPA plan to confirm that it is completed in a timely manner.

Note that all findings are specific to the information assessed at the time of the audit as related to the audit scope.

While non-compliant findings exist, the CER is of the view that the company can still construct, operate, and abandon pipelines in a manner that will preserve the safety of persons, the environment, and property.

The Final Audit Report will be made public on the CER external website.

## Table of Contents

Executive Summary .....	2
1.0 Background.....	4
1.1 Introduction.....	4
1.2 Description of Audit Topic .....	4
1.3 Company Overview.....	4
2.0 Objectives and Scope.....	6
3.0 Methodology .....	7
4.0 Summary of Findings.....	8
5.0 Discussion .....	10
6.0 Next Steps .....	10
7.0 Conclusion .....	10
Appendix 1: Audit Assessment .....	12
AP-01 Performance measures to meet company goals, objectives, and targets.....	12
AP-02 Performance in achieving company goals, objectives, and targets.....	15
AP-03 Process to evaluate adequacy and effectiveness of the management system.....	17
AP-04 Adequacy and effectiveness of the management system .....	20
AP-05 Actions taken to correct deficiencies.....	22
Appendix 2: Terms and Abbreviations.....	24

## List of Tables and Figures

Table 1. Audit Scope.....	7
Table 2. Summary of Findings.....	8

## 1.0 Background

### 1.1 Introduction

The CER expects pipelines and associated facilities within the Government of Canada's jurisdiction to be constructed, operated, and abandoned in a safe and secure manner that protects people, property, and the environment.

Section 103 of the CER Act authorizes inspection officers to conduct audits of regulated companies. The purpose of these audits is to assess compliance with the CER Act and its associated Regulations.

The purpose of operational audits is to ensure that regulated companies have established and implemented both a management system and its associated programs, as specified in the OPR.

The CER conducted an operational audit of Steel Reef Pipelines Canada Corporation between 26 August 2024 and 1 November 2024. The focus of the audit was on the company's annual report for the 2023 operational year.

### 1.2 Description of Audit Topic

The OPR requires that the company generate an annual report that is reviewed and signed by the accountable officer. This annual report must describe the company's performance in achieving its goals, objectives, and targets during the previous year, as evaluated by the company's performance measures. In addition, the report must describe the adequacy and effectiveness of the company's management system in achieving the company's policies, goals, and objectives; and the actions taken during the year to correct any deficiencies identified by the company's quality assurance program.

Once the company has prepared its annual report and it has been reviewed and signed by the accountable officer, the company must advise the CER of this in writing. This written advisory is to be signed by the accountable officer and delivered to the CER no later than 30 April of each year.

The receipt of this notification each year serves to advise the CER that the accountable officer is aware of and has signed off on an annual report which details, as a minimum:

- the adequacy and effectiveness of the management system and programs;
- any deficiencies identified through the company's quality assurance measures; and
- the status of the actions being taken to rectify any deficiencies.

The CER does not normally ask companies to provide a copy of this annual report, but simply to verify that it has completed it and that it has been reviewed and signed by the accountable officer. However, the CER can ask companies to produce the report, as it did during this audit.

More detailed explanations of the CER's expectations for this audit are explained in Appendix 1.0.

### 1.3 Company Overview

Steel Reef is an affiliate of Steel Reef Infrastructure Corporation (**SRIC**). SRIC, through its affiliates Steel Reef and Lignite Pipeline Canada Corporation (**Lignite**), owns and operates three CER-regulated pipelines: the North Portal Pipeline (**NPP**); the South Saskatchewan Access Pipeline (**SSAP**); and the Sinclair Pipeline.

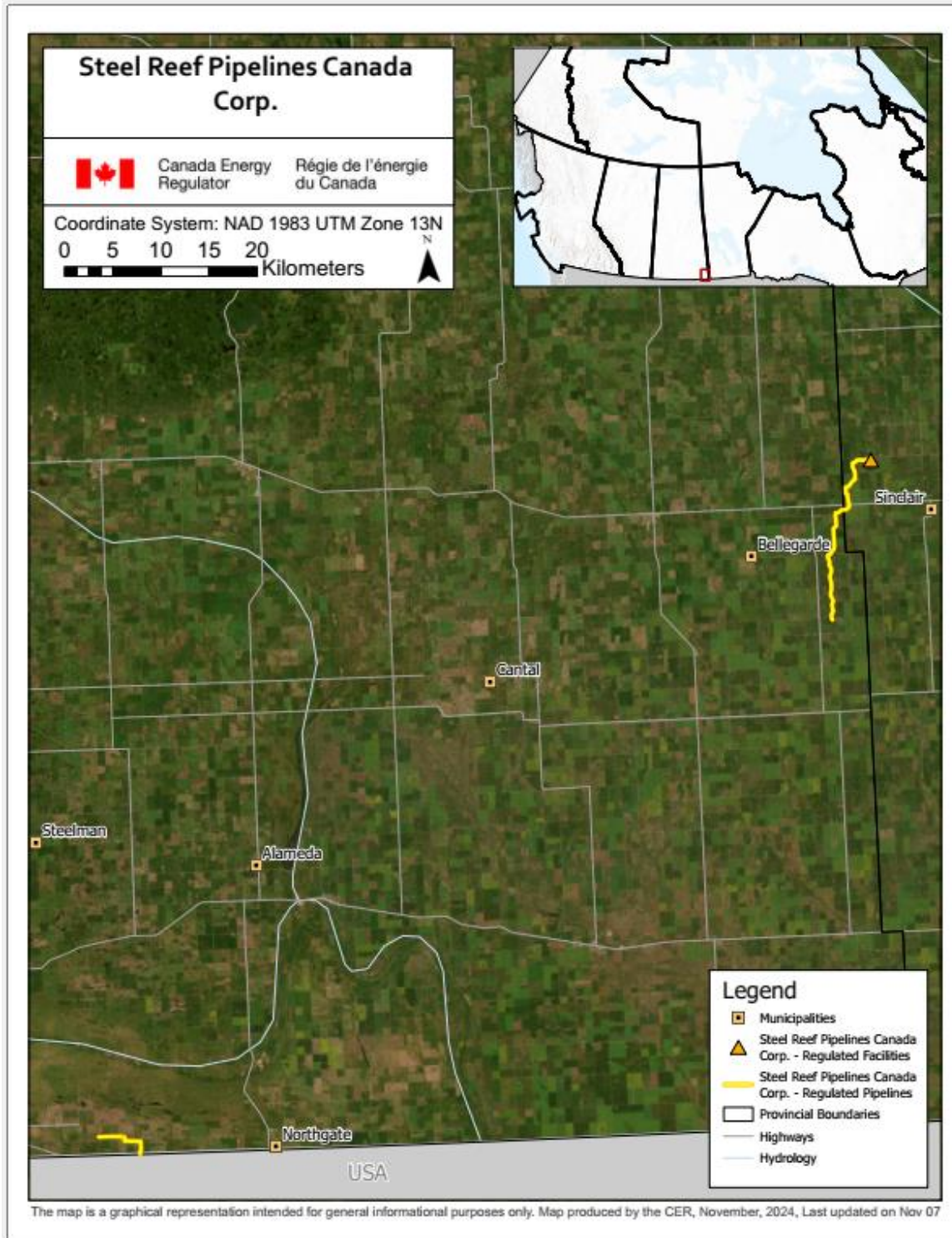
The NPP natural gas pipeline has been deactivated since January 2012. The pipeline extends seven kilometres (**km**) north from the United States of America (**USA**)/Canada border into Saskatchewan. It is being maintained under low pressure nitrogen.

The SSAP natural gas pipeline has been in service since March 2019. The pipeline carries natural gas from the gas gathering system near Lignite, North Dakota and transports it 3.5 km north into Saskatchewan from the USA/Canada border to the North Portal Gas Plant.

The Sinclair pipeline has been in service since March 2023. The approximate 21 km pipeline carries natural gas from a compressor station in Manitoba to the Nottingham Gas Plant in Saskatchewan.

In its latest annual report, Steel Reef stated that it is committed to pursuing a zero-incident culture by continuously working towards mitigating risk and eliminating incidents that may bring harm to its employees, contractors, the public, and the environment. To meet this commitment, the company has established a management system framework, referred to as CMS-Central. Steel Reef, through its affiliations with SRIC and Lignite, has approximately 2700 km of pipelines, of which the CER-regulated portion is a small percentage. Nevertheless, during this audit Steel Reef demonstrated that it is aware of its obligations under the OPR and is striving to meet those legal requirements.

The map below depicts where the CER-regulated assets are located.



## 2.0 Objectives and Scope

The objectives of this audit are to verify that Steel Reef's annual report meets the requirements of the OPR; and that Steel Reef has the necessary processes, procedures, and work instructions in place to fulfil the requirements of section 6 of the OPR.

The table below outlines the scope selected for this audit.

**Table 1. Audit Scope**

Audit Scope	Details
Audit Topic	Annual Report
Lifecycle Phases	<input checked="" type="checkbox"/> Construction <input checked="" type="checkbox"/> Operations <input checked="" type="checkbox"/> Abandonment
Section 55 Programs	<input checked="" type="checkbox"/> Emergency Management <input checked="" type="checkbox"/> Integrity Management <input checked="" type="checkbox"/> Safety Management <input checked="" type="checkbox"/> Security Management <input checked="" type="checkbox"/> Environmental Protection <input checked="" type="checkbox"/> Damage Prevention
Time Frame	Annual Report and supporting processes that assess the 2023 calendar year

### 3.0 Methodology

The auditors assessed compliance through:

- document reviews;
- record sampling; and
- interviews.

The list of documents reviewed, records sampled, and the list of interviewees are retained on file with the CER.

An audit notification letter was sent to the company on 26 August 2024 advising the company of the CER's plans to conduct an operational audit. The lead auditor provided the audit protocol and initial information request to the company on 5 September 2024 and followed up on the same day with a meeting with the company staff to discuss the plans and schedule for the audit. Document review began on 8 October 2024 and interviews were conducted between 22 October 2024 and 25 October 2024. No inspections were conducted for this audit.

In accordance with the established CER audit process, the lead auditor shared a pre-closeout summary of the audit results on 1 November 2024. At that time, the company was given five business days to provide any additional documents or records to help resolve any identified gaps in information or compliance. After the pre-closeout meeting, the company advised the CER that it had no additional information to provide. As a result, the pre-closeout meeting was also the final closeout meeting.

## 4.0 Summary of Findings

The lead auditor has assigned a finding to each audit protocol. A finding can be either:

- No Issues Identified – No non-compliances were identified during the audit, based on the information provided by the company, and reviewed by the auditor within the context of the audit scope; or
- Non-compliant – The company has not demonstrated that it has met the legal requirements. A CAPA plan shall be developed and implemented to resolve the deficiency.

All findings are specific to the information assessed at the time of the audit, as related to the audit scope.

The table below summarizes the findings. See [Appendix 1: Audit Assessment](#) for more information.

**Table 2. Summary of Findings**

Audit Protocol (AP) Number	Regulation	Regulatory Reference	Topic	Finding Status	Finding Summary
AP-01	OPR	6.5(1)(b)	Performance measures to meet company goals, objectives, and targets	No Issues Identified	Based on the documents and records provided and the interviews conducted, Steel Reef demonstrated that it had developed performance measures for evaluating the company's success in achieving its goals, objectives, and targets.
AP-02	OPR	6.6(1)(a)	Performance in achieving company goals, objectives, and targets	Non-compliant	Based on the documents and records provided and the interviews conducted, Steel Reef was not able to demonstrate that it described in its annual report the company's performance in achieving its goals, objectives, and targets during that year, as evaluated by the performance measures developed under paragraph 6.5(1)(b).



Audit Protocol (AP) Number	Regulation	Regulatory Reference	Topic	Finding Status	Finding Summary
AP-03	OPR	6.5(1)(v)	Process to evaluate adequacy and effectiveness of the management system	No Issues Identified	Based on the documents and records provided and the interviews conducted, Steel Reef was able to demonstrate that its Management System Assessment Program met the requirements of a process and it had been implemented to include a management system review based on the requirements of the OPR.
AP-04	OPR	6.6(1)(b)	Adequacy and effectiveness of the management system	Non-compliant	Based on the documents and records provided and the interviews conducted, Steel Reef was not able to demonstrate that it described in its annual report the adequacy and effectiveness of the company's management system, as evaluated by the process established and implemented under paragraph 6.5(1)(v).
AP-05	OPR	6.6(1)(c)	Actions taken to correct deficiencies	No Issues Identified	Based on the documents and records provided and the interviews conducted, Steel Reef was able to demonstrate that it met the legal requirement of paragraph 6.6(1)(c) of the OPR to discuss in its annual report the actions taken during that year to correct any deficiencies identified by the quality assurance program established under paragraph 6.5(1)(w).

## 5.0 Discussion

The annual report requirements within section 6 of the OPR support fundamental components of a management system, such as continual improvement and leadership.

Management systems follow a plan-do-check-act framework, with an aim to continually improve. The annual report requirement within the OPR supports the check and act portions of the framework. It requires companies to assess and describe the performance of their management system, as it relates to achieving goals, objectives, and targets over the previous year. The annual report also requires the company to describe the adequacy and effectiveness of its management system, and the actions taken to address deficiencies.

Leadership is another key component of management systems, which is why the OPR requires regulated companies to assign an accountable officer to oversee the management system. This accountable officer must sign the annual report and submit a statement to the CER that the report has been completed.

During this audit, Steel Reef demonstrated that the creation of its annual report is part of its management review process. The annual report is being reviewed and approved by the accountable officer and a notification letter is being sent to the CER prior to 30 April each year to indicate that the report has been completed. As such, Steel Reef is meeting the requirements for continual improvement and leadership oversight. However, it was found that two pieces of information required by the OPR were missing from the annual report. The company was found to be generating the required information through implemented processes but had neglected to discuss them in the annual report. This should be relatively easy to fix.

## 6.0 Next Steps

The company is required to resolve all non-compliant findings through the implementation of a CAPA plan. The next steps of the audit process are as follows:

- Within 30 calendar days of receiving the Final Audit Report, the company shall file with the CER, a CAPA plan that outlines how the non-compliant findings will be resolved.
- The CER will monitor and assess the implementation of the CAPA plan to confirm that it is completed:
  - on a timely basis; and
  - in a safe and secure manner that protects people, property, and the environment.
- Once implementation is completed, the CER will issue an Audit Closeout Letter.

## 7.0 Conclusion

In summary, the CER conducted an operational audit of Steel Reef Pipelines Canada Corporation related to its Annual Report for the 2023 operational year. Out of a total of five regulatory requirements that were evaluated, three were classified as No Issues Identified, and two were found to be Non-compliant, resulting in an audit score of 60 percent. One non-compliance was based on the fact that the company's annual report did not include a discussion about the company's success in achieving its goals, objectives, and targets as evaluated through its performance measures. The second non-compliance was because the annual report did not include an evaluation of the adequacy and effectiveness of the company's management system. In both cases, the company has implemented the required processes and is doing what the OPR requires. However, it did not

adequately describe the results of their assessment of their performance measures in achieving their GOATs, nor their assessment of the adequacy and effectiveness of the management system in the annual report.

Steel Reef is expected to resolve any deficiencies through the implementation of a CAPA plan. The CER will monitor and assess the implementation of this CAPA plan and issue an Audit Closeout Letter upon its completion.

## Appendix 1: Audit Assessment

### AP-01 Performance measures to meet company goals, objectives, and targets

<b>Finding status</b>	No issues identified
<b>Regulation</b>	OPR
<b>Regulatory reference</b>	6.5(1)(b)
<b>Regulatory requirement</b>	A company shall, as part of its management system and the programs referred to in section 55, develop performance measures for evaluating the company's success in achieving its goals, objectives, and targets.
<b>Expected outcome</b>	<p>The expected outcomes are as follows:</p> <ul style="list-style-type: none"> <li>• The company has developed performance measures that are relevant to its documented goals, objectives, and targets.</li> <li>• The following two items will be confirmed in connection with the company's annual report per paragraph 6.6(1)(b) of the OPR: <ul style="list-style-type: none"> <li>○ The performance measures support the ability to assess the achievement of the company's goals, objectives, and targets; and</li> <li>○ The company applies the performance measures to assess its success in achieving its goals, objectives, and targets.</li> </ul> </li> </ul>
<b>Relevant information provided by the company</b>	<p>A list of documents and records reviewed by the CER related to this assessment is kept on file with the CER.</p> <ul style="list-style-type: none"> <li>• <i>PR-CORP-8.01-0010 CER Asset Planning Procedure</i></li> <li>• <i>PR-CORP-8.01-0010 CER Asset Planning Appendix A Annual Plan</i></li> <li>• <i>PR-CORP-8.01-0001 Management System Assessment Program</i></li> <li>• <i>PR-CORP-7.04.01-0001 Pressure Equipment Integrity Management System</i> <ul style="list-style-type: none"> <li>○ <i>Section 17 - Internal Audits</i></li> <li>○ <i>Section 18 - Nonconformance &amp; Action</i></li> <li>○ <i>Section 18.1.2 - Administrative Action, Audit or Review</i></li> </ul> </li> <li>• <i>Steel Reef Internal QMS auditing 2021-2023 R1</i></li> <li>• <i>2024 - T-Sask QMS Implementation audit report</i></li> <li>• <i>Health, Safety, Environmental Registry (HSER) Reports</i></li> </ul> <p>The interviews conducted related to this item are listed below. The actual names and positions of the interviewees are kept on file with the CER:</p> <ul style="list-style-type: none"> <li>• An interview with the Steel Reef staff member responsible for the establishment of the company goals, objectives, and targets.</li> </ul>

	<ul style="list-style-type: none"> <li>• An interview with the Manager of the Pipeline Integrity Management Program to discuss the setting of objectives, targets, and performance measures designed to achieve the corporate goals.</li> <li>• An interview with the accountable officer.</li> </ul>
<b>Finding summary</b>	Based on the documents and records provided and the interviews conducted, Steel Reef demonstrated that they had developed performance measures for evaluating the company's success in achieving its goals, objectives, and targets.

### Detailed Assessment

For this assessment, the CER was looking for Steel Reef to demonstrate that it had developed performance measures to evaluate the company's success in achieving its goals, objectives, and targets, including the specific goals in paragraph 6.3(1)(b) of the OPR which includes: goals for the prevention of ruptures, liquid and gas releases, fatalities and injuries and for the response to incidents and emergency situations.

Steel Reef provided its *PR-CORP-8.01-0010 CER Asset Planning Procedure*, which outlined the process that is followed to develop, execute, review, and revise plans to meet goals, objectives, and targets related to the CER-regulated assets. Steel Reef also provided copies of its corporate policies and informed the auditors that the goals within the policies were established at the corporate level and are developed to provide high-level guidance on the annual goal-setting process.

During the interviews, Steel Reef's staff explained that the managers from all program areas meet in January to establish the goals, objectives, and targets for that year. The goals from each program support the high-level goals that are outlined in the policy. When establishing the program-specific goals, Steel Reef adopts a risk-based approach, whereby they focus on their risk registry and identify any gaps or areas that need to be focused on. The output from this meeting is Steel Reef's *PR-CORP-8.01-0010 CER Asset Planning Appendix A Annual Plan*. Steel Reef provided a record of its Annual Plan. The Plan detailed the applicable assets, the CER-regulated pipelines to which the plan applied, and the date that the plan was last reviewed. It also included each of the section 55 program areas with goals, objectives, and targets being linked to each other within each program. Steel Reef also provided a table that mapped the goals provided in Appendix A to high-level goals within the policies.

Steel Reef provided several documents for its performance measures or key performance indicators (**KPIs**). One of these key documents was a table from a section from Steel Reef's *Environmental, Social, and Governance (ESG) Framework*. The table outlined the metric (KPI), the unit of measure for the metric, a definition for each metric and defined where (what document or group) each metric needed to be reported. This document contained all the metrics required to monitor the specific goals in paragraph 6.3(1)(b) of the OPR. Additionally, Steel Reef provided a sample record from its Security Management Program which showed that the program-specific objectives are linked to the KPI's. This document also contained a risk ranking for each objective and the target or completion percentage. Lastly, Steel Reef provided a section from its Board report and a snapshot of its *Health, Safety, Environmental Registry (HSER) Reports (online) real time and quarterly* report that demonstrates it is tracking these KPIs.

In summary, Steel Reef was able to demonstrate its process for establishing goals, objectives, and targets has been established and implemented. They were able to link each goal, objective, and target to specific KPIs, and therefore demonstrate they were able to evaluate their success in achieving the company's goals, objectives, and targets. This allows the company to clearly

understand how well they are performing and identify areas for improvement. It aims to facilitate decision-making and resource allocation by providing data-driven insights into what is working and what is not.

## AP-02 Performance in achieving company goals, objectives, and targets

<b>Finding status</b>	Non-compliant
<b>Regulation</b>	OPR
<b>Regulatory reference</b>	6.6(1)(a)
<b>Regulatory requirement</b>	A company shall complete an annual report for the previous calendar year, signed by the accountable officer, that describes the company's performance in achieving its goals, objectives, and targets during that year, as evaluated by the performance measures developed under paragraph 6.5(1)(b).
<b>Expected outcome</b>	<p>The expected outcomes are as follows:</p> <ul style="list-style-type: none"> <li>• The company has completed an annual report for the previous calendar year that is signed by the accountable officer.</li> <li>• The annual report describes the company's performance in achieving its goals, objectives, and targets.</li> <li>• The company utilizes the performance measures developed as part of paragraph 6.5(1)(b) of the OPR as part of its evaluation.</li> </ul>
<b>Relevant information provided by the company</b>	<p>A list of the documents and records reviewed by the CER related to this assessment is kept on file with the CER.</p> <ul style="list-style-type: none"> <li>• <i>Steel Reef Infrastructure Corporation, Corporate Management System (CMS-Central) 2023 Annual Report</i></li> <li>• <i>Canada Energy Regulator 2023 Annual Report Filing Letter</i></li> </ul> <p>The interviews conducted related to this item are listed below. The actual names and positions of the interviewees are kept on file with the CER:</p> <ul style="list-style-type: none"> <li>• An interview with the individuals responsible for compilation of the data for the annual report to talk about how Steel Reef assesses its performance in achieving its goals, objectives, and targets.</li> <li>• An interview with the accountable officer.</li> </ul>
<b>Finding summary</b>	Based on the documents and records provided and the interviews conducted, Steel Reef was not able to demonstrate that it described in its annual report the company's performance in achieving its goals, objectives, and targets during that year, as evaluated by the performance measures developed under paragraph 6.5(1)(b).

### Detailed Assessment

Steel Reef provided the CER auditors with its 2023 Annual Report and covering letter. The covering letter indicates that the company described in its annual report, SRIC's achievement of its goals, objectives, and targets as evaluated by the performance assessment developed in accordance with paragraphs 6.5(1)(b) and (v) of the OPR. As discussed in the assessment for AP-01 of this report, the CER did not identify any issues of concern with the process that Steel Reef had developed to meet the requirements of the OPR. It was found that Steel Reef has developed performance

measures for evaluating the company's success in achieving its goals, objectives, and targets. It was also found that the company is monitoring its success in achieving its GOATs through an evaluation of its KPIs. However, in their review of the company's annual report, the CER auditors could not find any discussion around the company's success in achieving its goals, objectives, and targets as evaluated by its performance measures. In other words, although the CER found that Steel Reef is monitoring its success in achieving its goals, objectives, and targets, it did not include a thorough discussion of this matter in the annual report.

In summary, Steel Reef was not able to demonstrate that it described in its annual report the company's performance in achieving its goals, objectives, and targets during that year, as evaluated by the performance measures developed under paragraph 6.5(1)(b).



### AP-03 Process to evaluate adequacy and effectiveness of the management system

<b>Finding status</b>	No issues identified
<b>Regulation</b>	OPR
<b>Regulatory reference</b>	6.5(1)(v)
<b>Regulatory requirement</b>	A company shall, as part of its management system and the programs referred to in section 55, establish and implement a process for evaluating the adequacy and effectiveness of the company's management system and for monitoring, measuring, and documenting the company's performance in meeting its obligations under these Regulations.
<b>Expected outcome</b>	<p>The expected outcomes are as follows:</p> <ul style="list-style-type: none"> <li>• The company has a compliant process that is established and implemented.</li> <li>• The company has developed methods for evaluating the adequacy and effectiveness of its management system.</li> <li>• The company's management system has been evaluated for adequacy and effectiveness.</li> <li>• The company's performance in meeting its obligations under these Regulations have been monitored, measured, and is documented.</li> <li>• The company has implemented corrective actions based on the results of its monitoring and measuring the adequacy and performance of its management system.</li> </ul>
<b>Relevant information provided by the company</b>	<p>A list of the documents and records reviewed by the CER related to this assessment is kept on file with the CER.</p> <ul style="list-style-type: none"> <li>• <i>PR-CORP-8.01-0001 Management System Assessment Program</i></li> <li>• <i>PR-CORP-7.04.01-0001 Pressure Equipment Integrity Management System</i> <ul style="list-style-type: none"> <li>○ <i>Section 17 - Internal Audits</i></li> <li>○ <i>Section 18 - Nonconformance &amp; Action</i></li> <li>○ <i>Section 18.1.2 - Administrative Action, Audit or Review</i></li> </ul> </li> <li>• <i>PR-CORP-5.04.02-0001 Operations Risk Management</i></li> <li>• <i>Emergency Management Program Section 1.3</i></li> <li>• <i>BoD Cybersecurity – November 20, 2023</i></li> <li>• <i>PR-CORP-7.04.01-0001 Pressure Equipment Integrity Management System</i></li> <li>• <i>2024 - T-Sask QMS Implementation audit report</i></li> <li>• <i>Steel Reef Internal QMS Auditing 2021-2023-R1</i></li> <li>• <i>Online HSER KPI Monitoring (Snapshot)</i></li> </ul>

	<ul style="list-style-type: none"> <li>• <i>Master Commitment Schedule - a live tracked system to ensure compliance obligations are met within specified timelines which is a key performance measure.</i></li> <li>• <i>Review of CER Asset Planning Appendix A Annual Plan</i></li> <li>• <i>Annual risk committee meetings (Refer to 2023 Annual Risk Committee Meeting Minutes)</i></li> <li>• <i>Annual ESG reports (Refer to Environmental Social and Governance Report Report)</i></li> <li>• <i>Corrective Action Tracking (Refer to Corrective Actions – Xion)</i></li> <li>• <i>2024 Cyber Incident Tracking</i></li> <li>• <i>Gap Assessment Environmental Protection Program</i></li> </ul> <p>The interviews conducted related to this item are listed below. The actual names and positions of the interviewees are kept on file with the CER:</p> <ul style="list-style-type: none"> <li>• An interview with the individual responsible for the Process to Evaluate the Adequacy and Effectiveness of the Management System.</li> <li>• An interview with the accountable officer.</li> </ul>
<p><b>Finding summary</b></p>	<p>Based on the documents and records provided and interviews conducted, Steel Reef was able to demonstrate that its Management System Assessment Program met the requirements of a process and it had been implemented to include a management system review based on the requirements of the OPR.</p>

**Detailed Assessment**

For this assessment, the CER was looking for Steel Reef to demonstrate that it had established and implemented a process for evaluating the adequacy and effectiveness of the company’s management system and for monitoring, measuring, and documenting the company’s performance in meeting its obligations under these Regulations.

Steel Reef provided its *PR-CORP-8.01-0001 Management System Assessment Program* for its documented process of evaluating the effectiveness of its management system. This process was developed as a result of a finding from an internal audit and was implemented in a January 2024 audit. The process describes the purpose, scope, objective, and specific results that the process is intended to achieve. The process links to the section 55 programs and provides high-level guidance that complements the individual programs that also contain program-specific management system effectiveness review instructions. Roles and responsibilities are contained in both the *Management System Assessment Program* and the program-specific documents.

In 2022, Steel Reef hired an external consultant to conduct a gap assessment of its existing Management System against the requirements of the OPR. The assessment included all the *CER Management System and Protection Program Audit Protocols* that are published on the CER’s external website. The audit also considered the CER’s terminology and definitions, and the audit protocol included a full evaluation of the steps required for a process, as defined by the CER.

Additionally, the audit evaluated all the expected outcomes for the various stages of the management system including developed, established, and implemented outcomes. Steel Reef provided a copy of the *Gap Assessment Environmental Protection Program*, as a record for review. Each section of the review included the auditor’s observations/assessment, general findings and recommendations.

The CER has noted that Steel Reef has conducted other management system reviews including: *2024 - T-Sask QMS Implementation audit report* and *Steel Reef Internal QMS Auditing 2021-2023-R1*. These activities were conducted under a different audit standard and governing body so the CER will not include these in the evaluation but simply note that Steel Reef is conducting several different evaluations of its management system.

As evidence to demonstrate that Steel Reef monitors, measures, and documents its performance in meeting its obligations under these Regulations, Steel Reef provided the following documents: *Online HSER KPI Monitoring (Snapshot)*, *Review of CER Asset Planning Appendix A Annual Plan*, *Annual risk committee meetings*, *Annual ESG report*, and its *2024 Cyber Incident Tracking*. Additionally, Steel Reef provided a copy of its *Master Commitment Schedule*. This document contains all of Steel Reef's compliance obligations, including audits and inspections, which are tracked live to ensure all obligations are met within specified timelines.

In summary, Steel Reef was able to demonstrate it had a compliant process in place for evaluating the adequacy and effectiveness of the company's management system and for monitoring, measuring, and documenting the company's performance in meeting its obligations under the OPR.

## AP-04 Adequacy and effectiveness of the management system

<b>Finding status</b>	Non-compliant
<b>Regulation</b>	OPR
<b>Regulatory reference</b>	6.6(1)(b)
<b>Regulatory requirement</b>	A company shall complete an annual report for the previous calendar year, signed by the accountable officer, that describes the adequacy and effectiveness of the company's management system, as evaluated by the process established and implemented under paragraph 6.5(1)(v).
<b>Expected outcome</b>	<p>The expected outcomes are as follows:</p> <ul style="list-style-type: none"> <li>• The company has completed an annual report for the previous calendar year that is signed by the accountable officer.</li> <li>• The annual report describes the adequacy and effectiveness of the company's management system for the previous calendar year.</li> <li>• The process, established and implemented in accordance with the requirements of paragraph 6.5(1)(v) of the OPR, is appropriately used to evaluate the company's management system.</li> </ul>
<b>Relevant information provided by the company</b>	<p>A list of the documents and records reviewed by the CER related to this assessment is kept on file with the CER.</p> <ul style="list-style-type: none"> <li>• <i>Steel Reef Infrastructure Corp., Corporate Management System (CMS-Central) 2023 Annual Report</i></li> <li>• <i>Canada Energy Regulator 2023 Annual Report Filing Letter</i></li> <li>• <i>PR-CORP-8.01-0001 Management System Assessment Program</i></li> <li>• <i>PR-CORP-8.01-0010 CER Asset Planning Procedure</i></li> <li>• <i>PR-CORP-8.01-0010 CER Asset Planning Appendix A Annual Plan</i></li> <li>• <i>Steel Reef Internal QMS auditing 2021-2023 R1</i></li> <li>• <i>2024 - T-Sask QMS Implementation audit report</i></li> </ul> <p>The interviews conducted related to this item are listed below. The actual names and positions of the interviewees are kept on file with the CER:</p> <ul style="list-style-type: none"> <li>• An interview with the individuals responsible for evaluating the adequacy and effectiveness of the management system.</li> <li>• An interview with the accountable officer.</li> </ul>
<b>Finding summary</b>	Based on the documents and records provided and the interviews conducted, Steel Reef was not able to demonstrate that it described in its annual report the adequacy and effectiveness of the company's management system, as evaluated by the process established and implemented under paragraph 6.5(1)(v).

## **Detailed Assessment**

Steel Reef provided the CER auditors with its 2023 Annual Report and covering letter. As discussed in the assessment for AP-03, Steel Reef has a process for evaluating the adequacy and effectiveness of the management system and is using the process. In their review of the company's annual report, the CER auditors found that the company included discussions around various aspects of the company's management system, processes, and programs. However, the auditors did not find any discussion around the company's assessment of the adequacy and effectiveness of its management system, which is a requirement of the OPR.

In summary, Steel Reef was not able to demonstrate that it described in its annual report the adequacy and effectiveness of the company's management system, as evaluated by the process established and implemented under paragraph 6.5(1)(v).

## AP-05 Actions taken to correct deficiencies

<b>Finding status</b>	No issues identified
<b>Regulation</b>	OPR
<b>Regulatory reference</b>	6.6(1)(c)
<b>Regulatory requirement</b>	A company shall complete an annual report for the previous calendar year, signed by the accountable officer, that describes the actions taken during that year to correct any deficiencies identified by the quality assurance program established under paragraph 6.5(1)(w).
<b>Expected outcome</b>	<p>The expected outcomes are as follows:</p> <ul style="list-style-type: none"> <li>• The company has completed an annual report for the previous calendar year that is signed by the accountable officer.</li> <li>• The annual report identifies the actions taken to correct identified deficiencies.</li> <li>• A description of the actions taken to correct deficiencies for each program referred to in section 55 in annual report is in accordance with the requirements of the paragraph 6.5(1)(w) of the OPR.</li> </ul>
<b>Relevant information provided by the company</b>	<p>A list of the documents and records reviewed by the CER related to this assessment is kept on file with the CER.</p> <ul style="list-style-type: none"> <li>• <i>Steel Reef Infrastructure Corporation, Corporate Management System (CMS-Central) 2023 Annual Report</i></li> <li>• <i>Canada Energy Regulator 2023 Annual Report Filing Letter</i></li> </ul> <p>The interviews conducted related to this item are listed below. The actual names and positions of the interviewees are kept on file with the CER:</p> <ul style="list-style-type: none"> <li>• An interview with the individuals responsible for compiling the data for the annual report to discuss how actions taken to correct deficiencies are identified.</li> <li>• An interview with the accountable officer.</li> </ul>
<b>Finding summary</b>	Based on the documents and records provided and the interviews conducted, Steel Reef was able to demonstrate that it met the legal requirement of paragraph 6.6(1)(c) of the OPR to discuss in its annual report the actions taken during that year to correct any deficiencies identified by the quality assurance program established under paragraph 6.5(1)(w).

## Detailed Assessment

Steel Reef provided the CER auditors with its 2023 Annual Report and covering letter. The covering letter indicates that the company described, in its annual report, the actions taken during the year to mitigate any deficiencies identified by the quality assurance program established pursuant to paragraph 6.5(1)(w) of the OPR. In its annual report, Steel Reef indicated that, during the 2023 operational year, there had been no reportable incidents on its CER-regulated pipelines. In addition, there were no other deficiencies identified by its quality assurance measures applicable to the CER-regulated pipelines. As a result, there was nothing to discuss in the annual report.

In summary, Steel Reef was able to demonstrate that it met the legal requirement of paragraph 6.6(1)(c) of the OPR to discuss in its annual report the actions taken during that year to correct any deficiencies identified by the quality assurance program established under paragraph 6.5(1)(w).

## Appendix 2: Terms and Abbreviations

For a set of general definitions applicable to all operational audits, please see Appendix I of the CER Management System Requirements and CER Management System Audit Guide found on [www.cer-rec.gc.ca](http://www.cer-rec.gc.ca).

Term or Abbreviation	Definition
AP	Audit Protocol
CAPA	Corrective and Preventive Action
CER	Canada Energy Regulator
CER Act	<i>Canadian Energy Regulator Act (S.C. 2019, c. 28, s. 10)</i>
ESG	Environmental, Social, and Governance
GOATs	Goals, Objectives, and Targets
HSER	Health, Safety, and Environment Register
KPI	Key Performance Indicator
OPR	<i>Canadian Energy Regulator Onshore Pipeline Regulations (SOR/99-294)</i>
QMS	Quality Management System
SRIC	Steel Reef Infrastructure Corporation
Steel Reef	Steel Reef Pipelines Canada Corporation
The company	Steel Reef Pipelines Canada Corporation