

Making sure stakeholders like you are engaged and respected is critical to TransCanada's success. We know that transparently sharing information and seeking your input will result in better plans – for us, for you and for our communities as a whole. TransCanada's values – integrity, responsibility, collaboration and innovation – lay the foundation for how we work with each other and with you.

While we have strong relationships with thousands of communities and landowners backed by generations of co-operation and trust, we are also committed to earning public confidence from those communities we haven't worked with yet.

We are committed to collaborating with, and listening to, our stakeholders to learn what matters to you and incorporate that into our plans.

RESPONSIBLE STAKEHOLDER RELATIONS

The fundamental role of any business is to fulfil a need for society. For TransCanada, that means delivering the natural gas that heats your home, the liquids that fuel your transportation and the electricity that powers your technology and lights the way. But after 65 years of doing business, and with more than 70,000 neighbours across our three operating countries, we know there's more to being a good business than just supplying the energy North Americans need.

STAKEHOLDER ENGAGEMENT – IN ACTION

Breaking Ground on the Napanee Generating Station

"We are very pleased to have TransCanada in our community. From day 1, they have demonstrated great corporate citizenship which has made working with them a pleasure."

Gordon Schermerhorn, the mayor of the Town of Greater Napanee, used these words to describe his experience working with TransCanada at the June 2015 groundbreaking event for the Napanee Generating Station (NGS) project.

The mayor attended the groundbreaking event and reception with other community leaders from the Town of Greater Napanee, Lennox and Addington County, Loyalist Township and the Mohawks of the Bay of Quinte to commemorate the construction of NGS.

This milestone came after more than two years of engagement with the Town of Greater Napanee. TransCanada employees developed meaningful relationships with local officials, stakeholders and residents to ensure that project plans were communicated and feedback was heard so the facility will one day become an integrated part of the community.

"The construction phase of the Napanee Generating Station is a key milestone for the project and for TransCanada.

Consultation and an ongoing two-way dialogue were important parts of the process; we wouldn't be where we are today if it wasn't for the town's willingness to work with us in a fair and transparent manner," says Bill Taylor, executive vice-president and president, TransCanada Energy.

As part of our commitment to the communities where we construct and operate projects, in September 2014, TransCanada and the town signed a Community Host Agreement which will provide \$2 million in funding to the town for community development projects over the next 20 years.

In addition to the community funding commitment, other key highlights of the agreement include:

- A commitment to provide qualified town residents with employment, contracting and supplier opportunities throughout the life cycle of the NGS. A job fair was held in early 2015 and vendor pre-qualification sessions will be hosted in late 2016. In addition, all TransCanada employment opportunities are advertised locally and posted on NGS's website. More than 750 people will be working at the site during the height of construction.
- Three full scholarships – two for eligible local high-school graduates and one for a First Nation student – for students

who have received admission offers from the Power Engineering program at Cambrian College.

- A commitment for TransCanada to provide regular reporting to the town council on the status of the NGS, and its compliance to meet regulatory requirements and contractual commitments.
- A commitment to reimburse the town for NGS development and construction-related expenses.

Community projects funding will be distributed through the community development committee made up of representatives from TransCanada and the town. Approved projects will align with TransCanada's community investment criteria in the three corporate focus areas of safety, community or environment. Projects must also have visibility in the community, create positive impacts and address identified needs. A study has been conducted and identifies gaps in current funding while also prioritizing community needs.

Furthermore, as part of our commitment to be a good neighbour, and as outlined in the Community Host Agreement, TransCanada has established two additional committees to ensure continued communication and ongoing engagement. The community liaison committee provides a forum for engagement between community

members and TransCanada about project updates and also works to address any potential concerns raised by residents. The construction co-ordination committee is comprised of municipal and provincial agencies, and TransCanada, who meet to review their respective upcoming project activities so that local planning and co-ordination can occur.

The \$1.2-billion Napanee Generating Station will be a highly efficient, combined-cycle natural-gas-fired facility generating 900 megawatts of clean energy under a 20-year supply contract with the Independent Electricity System Operator. The facility will use the latest in generating and environmental control technology, making it one of the most efficient and cleanest power generation facilities in Ontario.

The station is expected to begin operating in December 2018 and will play a vital role in Ontario's power supply mix while ensuring reliable power supplies. Once operational, the facility will supply energy to approximately 900,000 homes.

Visit TransCanada's blog at blog.transcanada.com for more information on the Napanee groundbreaking event and our engagement with the Town of Greater Napanee.



In 2014, we filed the most comprehensive regulatory application in our company's history for Energy East – **the result of more than 18 months** of planning, field work and extensive **stakeholder engagement consultation with more than 7,000 community members, 5,500 landowners and 155 First Nations and Métis** communities across six provinces.

Since starting the project, Energy East Community Relations team **has held 1,650 meetings with municipal governments and administrators**, first responders, community residents and other local organizations to share project information and gather feedback. In addition, **the project has hosted 138 open houses and Safety & Emergency Response Information Day events** to share information directly with community members, and participated in more than 125 community and industry events and exhibitions. This extensive engagement effort **has resulted in more than 700 pipeline route and scope changes** to reflect the input and concerns of our stakeholders.

On projects like the Energy East pipeline, we have faced some opposition that has been well documented in the media. Our approach has always been consistent: we need to listen closely to the needs and concerns of our stakeholders and communities, and respond with positive solutions in a way that meets people's energy needs but is also done in a way that people can trust.

At the core of stakeholder engagement is building positive relationships and trust. This enhances TransCanada's business performance by managing expectations, minimizing risk, identifying opportunities, and enhancing the quality of operating and development decisions.

It improves our business outcomes and, in return, stakeholders can express concerns and offer input in a collaborative manner with TransCanada.

Please see the Risks and Risk Management section on page 10 for more information on reputation and relationship risks.

OUR APPROACH TO STAKEHOLDER ENGAGEMENT

At TransCanada, we recognize that excellence in stakeholder engagement helps deliver value to the business, and we want to ensure it's done in a socially and environmentally responsible manner.

The Stakeholder Engagement Commitment Statement available on www.transcanada.com outlines our promise to stakeholders and provides guiding principles that employees and contractors are expected to follow when interacting with stakeholders.

Our four core values of integrity, collaboration, responsibility and innovation are at the heart of our commitment to stakeholder engagement. These values guide us in our interactions with our stakeholders. TransCanada generally defines stakeholders as those people or groups who significantly affect, or who may be affected by, our business activities. See the About You section on page 8 for more information on our identified stakeholders.

We strive to engage stakeholders early and often. Engaging with stakeholders means listening, providing accurate information, and responding to stakeholder interests in a prompt and consistent manner. TransCanada uses two-way communication processes with stakeholders to assist us in reaching high-quality business decisions.

The following principles are used as a filter to test and align engagement activities:

- We identify and consider the perspectives of our stakeholders
- We are visible, present and approachable in the community
- We recognize that diverse thoughts, opinions and experiences contribute to better decisions and outcomes

- We take ownership and accountability for our decisions and outcomes
- We track, measure and report on our performance to learn and improve

Stakeholder Engagement Framework and Policies

Our Capital Project Management System (CPMS) stakeholder engagement model is a company-wide framework that contains a thoughtful and thorough approach to engagement. At the time of acquisition or new construction and for ongoing maintenance and capital construction upgrades, the CPMS stakeholder engagement model is applied. In the spirit of continuous improvement, we document the lessons learned from our engagement activities and share these learnings between project teams and operations staff.

All our assets require local community engagement through all phases of the asset's life cycle.

We support open communication between TransCanada and the public, and we work with the scientific community, policy-makers and public interest groups that research, develop and implement standards for health, safety and environmental protection. We encourage reporting of all health, safety and environment-related hazards, potential hazards, near-hits and incidents. We take every report seriously, investigate to identify facts and ensure immunity for good-faith reporting of all incidents and issues. For more information on our Health, Safety and Environment Management System, see page 13.

Potential environmental and socio-economic effects are discussed in person at local open houses hosted by project staff and are also available to our communities through our project websites and government websites.

In addition, our Stakeholder Engagement Commitment Statement; Health, Safety and Environment Commitment Statement; Aboriginal Relations policy; and Native American Relations policy inform our practices and guide our actions. These policies are publicly available on www.transcanada.com.

It is TransCanada's goal to be a good neighbour in all the communities where we live, work and do business. We are committed to the ongoing engagement with stakeholders for the purpose of project development, asset maintenance, community safety outreach, emergency response plans and community investment.

Hearing from You

TransCanada engages regularly with our stakeholders and communities. We share information about our plans and activities while listening to stakeholder views. We gain valuable insight from these discussions and use this information in our project planning, development, and operations activities.

When it comes to new projects, public involvement may involve one-on-one discussions, public presentations, or open houses with affected stakeholders. We supplement these face-to-face meetings with written materials and other forms of communication such as fact sheets, brochures, websites, email, and toll-free

telephone lines. Our goal is to develop projects in a manner that is publicly supported and aligned with our business objectives and values.

Contact information for our landowner relations, community relations and public awareness departments is available on www.transcanada.com and on our project websites.

COMMUNITY INVESTMENT

At TransCanada, we don't just build energy infrastructure. We also build relationships.

Whether it's partnering with community groups, supporting local initiatives or encouraging our employees to be involved in their neighbourhoods, the goal of our Community Investment Program is to build strong and vibrant communities across North America.

Giving back to the communities where we operate always has been and always will be part of our everyday culture. It's all part of being an employer of choice, a good neighbour and a trusted community partner.

Defining Community Investment

For TransCanada, community investment is a voluntary contribution on behalf of the company in support of a not-for-profit, registered charity or social enterprise that generates clear and demonstrable value to the communities where we live and work.

We concentrate our efforts in three focus areas: safety, community and environment.



TransCanada is committed to the safety and well-being of the communities near our operations. **Since 2013, TransCanada has donated US\$825,000 to the International Association of Fire Chiefs (IAFC).** This partnership supports the delivery of cutting-edge training to 1.2 million firefighters and emergency responders throughout North America, via access to the Pipeline Training Portal at <http://pipelines.training>, which provides online 'best in class' emergency response pipeline training to first responders.

Also through the partnership, TransCanada continues to engage with the organization's members to promote dialogue and educate first responders about TransCanada's approach to emergency response through an IAFC town hall series about pipeline emergency preparedness. **In 2015, TransCanada and IAFC hosted nine regional town halls, as well as presented at three conferences.** As part of the 2016 series, TransCanada and IAFC will host 10 town halls and present at three conferences across the U.S.

GET EMPOWERED



Thanks to the generosity of employees and in-house contractors from across the company, TransCanada's second annual giving, volunteering and engagement campaign (entitled Get Empowered) raised over \$730,000 for registered charities in Canada and the U.S. **in just one month. That's a 44 per cent increase over the previous year's campaign.** Money wasn't the only thing employees and in-house contractors gave during the month – a total of 4,934 volunteer hours were logged, which is an 82 per cent increase from the 2014 campaign.

Safety – We are committed to the safety and well-being of the communities near our operations. We fund initiatives that enable emergency personnel to respond quickly and effectively to local needs and focus on emergency preparedness, accident prevention and education, and training.

Community – We are committed to supporting the building of strong and vibrant communities. We support organizations and initiatives that bring communities together, develop leadership and engage citizens.

Environment – We are committed to protecting the environment. We work with national and local organizations to conserve important habitats, protect species at risk and educate individuals about the importance of the environment.

Examples of our community partnerships in action can be found throughout this report and on TransCanada's blog at blog.transcanada.com.

Employee Giving and Volunteering

In 2015, TransCanada continued to see growth in Empower, our giving and volunteering program. Through Empower, we support and encourage personnel to give back to their communities in ways that resonate with them personally by:

- Matching their charitable donations
- Matching volunteer time with financial contributions to support the causes they care about
- Providing opportunities for them to volunteer in their communities
- Providing support for team volunteering and fundraising

STAKEHOLDER ENGAGEMENT – IN ACTION

Sharing Information and Hearing Input on Coastal GasLink

There are a number of proposed pipelines in north central British Columbia (B.C.), but according to Houston, B.C. Mayor Shane Brienen, TransCanada's Coastal GasLink pipeline project team is setting the standard for engagement when it comes to ensuring residents in the town are informed and able to offer feedback about the project.

"Coastal GasLink is doing it right. You have been engaging with us since the beginning and have been open and transparent and always answer questions honestly," says Mayor Brienen.

The Coastal GasLink project team has conducted a number of northern B.C. tours to continue to gather stakeholder input and share new information with communities along the pipeline route.

Local residents came out to share their thoughts about the project, but also were interested to learn more about what the project meant for them in terms of benefits, job opportunities, contracting opportunities, safety, security, project timelines and construction planning and routing.

"These information sessions are so valuable to us. They give us the chance to share information, sit down and talk with people, and hear what's on their minds," says Greg Cano, Coastal GasLink's project planning and execution director. "We want to continue the dialogue; we want to hear feedback."

Learn more about our engagement with local communities on TransCanada's blog at blog.transcanada.com.

Photo at right: TransCanada employees and contractors often volunteer their time to help with a variety of Habitat for Humanity projects across Canada and the U.S.



In 2015, our employees donated nearly \$2.6 million and registered more than 9,100 volunteer hours to the causes they care about through our giving and volunteering program.

GIVING BACK

BREAKFAST CLUB OF CANADA

The foundation for a good education starts early. That's why TransCanada has partnered with Breakfast Club of Canada to help bring its breakfast program to schools across northern B.C. and Ontario.

Breakfast Club of Canada is a national organization that delivers healthy breakfasts in a safe and supportive environment to vulnerable children in communities across Canada. The club is active in 1,300 schools across the country with breakfasts offered to each child at the school in order to avoid creating a stigma associated with poverty or with receiving the breakfast. They also offer the program in 72 First Nation, Métis and Inuit schools across the country.

Since 2014, TransCanada has donated over \$320,000 to Breakfast Club of Canada to launch or sustain the program in 10 schools. Our partnership is part of TransCanada's Education and Training Program, which supports educational initiatives that address a variety of developmental needs. These needs are often identified by communities and can range from programs that support early childhood development to technical training at post-secondary institutions.

As a neighbour to the communities in and around our operations and projects areas, TransCanada believes we have a role to play in ensuring youth receive the nutrition they need to succeed.

Canadian and U.S. employees, combined with TransCanada's matching contribution, donated more than \$2.57 million to charities across North America to support the communities where they live and work in 2015. In addition to these generous donations, employees logged 9,151 volunteer hours with registered charities in their communities.

Despite tough economic times, TransCanada saw a 14 per cent increase in giving in 2015. Year-over-year, participation in the program increased by four per cent in Canada and five per cent in the U.S.

For 2016, we hope to enable our online platform for giving and volunteering to support employees and contractors in Mexico.

Please visit TransCanada's blog at blog.transcanada.com for examples of our giving and volunteering program, Empower, in action.

2015 COMMUNITY INVESTMENT HIGHLIGHTS

Community Investments – direct only (CAD\$ M)	14.7
Investments by Motivation (percentage of total portfolio)	
Social Investments	50
Commercial Investments	11
Philanthropic Investments	39
In-Kind Giving ¹ (CAD\$ M)	0.34
Community Investment including funds leveraged through outside sources ² (CAD\$ M)	20.4
Investments as a percentage of total revenue	0.15
Employee and contractor donations (CAD\$ M)	0.76
Company donations matching employee and contractor donations (CAD\$ M)	1.81
Volunteer hours logged by employees and contractors (# of hours)	9,151
During non-paid time	7,531
During paid work time	1,620
Value of volunteer hours during paid work time (CAD\$)	76,228

¹ In-Kind Giving are donations of equipment or resources to support community programs.

² This figure takes into consideration contributions to community projects that can be directly linked to TransCanada's involvement (but are not included in the investment cost), including additional investment generated from other companies, governments and TransCanada employees.

Annual Community Investment Audit

TransCanada is a founding and active member of London Benchmarking Group (LBG) Canada, whose mission is to improve the management, measurement and reporting of community investment. Each year, TransCanada participates in a detailed, line-by-line third-party audit of its entire community investment portfolio.

The results enable TransCanada and external stakeholders to be confident that reported figures are accurate while also benchmarking our program against industry peers.

Despite a challenging economy, we were able to increase the amount invested directly in our communities and help generate an additional \$4 million in support from other companies, governments and TransCanada employees.

In 2015, TransCanada directed more than \$14.7 million to over 1,400 non-profit organizations across North America.

LBG Motivations

These standard definitions – what LBG calls “Motivations” – explain why we made an investment and how the investment will be managed.

- **Philanthropic Investments:** One-off or intermittent donations in response to charity appeals or in support of employee charitable activities.
- **Social Investments:** Longer term, strategic involvement in community partnerships that address a specific range of social issues and are important to the company or to company stakeholders. These programs are often aligned with long-term corporate interests.
- **Commercial Initiatives:** Activities in the community that directly support a business objective, or promote or protect the commercial interest of the corporation.

INDIGENOUS PEOPLES

The strength of our relationships with Indigenous communities and rights holders and the trust they have for us as a company have a direct impact on our ability to competitively build and operate our assets.

We know that making sure Indigenous communities are meaningfully engaged and respected is critical to TransCanada's

success. By transparently sharing information and seeking input from Indigenous communities, we will be able to create better project plans for us, our rights holders, stakeholders and all our communities.

OUR APPROACH TO INDIGENOUS RELATIONS

In 2015, TransCanada continued to build on more than 30 years of engaging with Indigenous communities. We advanced our commitment to building and maintaining long-term relationships with Indigenous communities based on respect, trust, open communication, and recognition that many of our activities occur on traditional lands. We understand our projects have the potential to affect the lives of Indigenous people in very tangible ways. Respecting the rights of Indigenous peoples, while acknowledging and learning from Indigenous peoples' distinct relationship to the land remains integral to our work. In 2015, TransCanada engaged 376 Indigenous communities, groups and organizations in Canada and the U.S. Our commitment to meaningful engagement is further demonstrated by the 2,453 meetings our engagement practitioners held with 312 Aboriginal communities in relation to 23 projects and 21 facility projects in 2015.

TransCanada understands that our relationship with Indigenous communities is distinct from their relationship with government. At the same time, our engagement with communities continues to be informed by the rapidly evolving legal landscape and regulatory requirements in the countries where TransCanada operates, which have discrete laws pertaining to the protection of Indigenous rights and interests. In response, TransCanada continues to monitor these changes

and ensure they are reflected in our engagement with communities, as we strive not only to meet but also exceed regulatory requirements. On an ongoing basis, TransCanada also tracks developments regarding Indigenous rights at the international level.

MANAGEMENT APPROACH

The Indigenous Relations (IR) group, part of TransCanada's Community and Sustainability department, oversees TransCanada's Indigenous Relations programs.

TransCanada's approach to engagement with Indigenous peoples is directed by the company's corporate values as well as TransCanada's Aboriginal Relations policy (Canada), first implemented in 2000 and revised in 2011, and our Native American Relations policy (U.S.), adopted in 2011. The policies apply to all our employees and contractors. Building on these, a key component of all projects is our commitment to provide TransCanada project staff and contractors with the knowledge and skills to engage effectively with Indigenous communities. In addition, TransCanada's Indigenous Cultural Awareness program is offered regularly to all staff and in-house contractors.

The company's Indigenous Relations strategy, approved by the executive leadership team in 2015, guides IR's work in the countries where we have business activities: Canada, the U.S. and Mexico. We continue to advance the implementation of its four pillars: engaging communities, community legacy, people and contracting and project participation.