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File OF-Surv-OpAud-C933-2020-2021-01  
CV 2021-478  
26 March 2021

Mr. Kendall Dilling  
Vice President, Health, Safety, Environment & Regulatory  
Cenovus Energy Inc.  
225 – 6 Ave SW  
Calgary, AB T2P 0M5  
Email [REDACTED]

Dear Mr. Dilling:

**Canada Energy Regulator (CER) Final Audit Report  
Cenovus Energy Inc. (Cenovus) – Audit of Accountable Officer Annual Report**

Please find attached a copy of the Final Audit Report for the audit of Cenovus' 2019 Accountable Officer Annual Report (Annual Report) conducted during the period from 3 September 2020 to 29 January 2021. The audit was conducted by the CER in accordance with section 103 of the *Canadian Energy Regulator Act* (CER Act).

On 26 February 2021, the CER sent Cenovus the Draft Audit Report documenting the evaluation of Cenovus' 2019 Annual Report for review and comment. Cenovus was also advised that the CER intends to post the Final Audit Report on the CER's website. To that end, Cenovus was advised that if it had any objections to the release of the audit report, or to specific parts of the report, to provide the CER with a list of those objections along with a detailed rationale and specific reference to applicable sections of the *Access to Information Act* and the *Privacy Act*. Cenovus was advised that the CER redacts the personal information of Cenovus's employees with the exception of the personal information of Cenovus's executive staff, which the CER considers publicly known figures of the company.

Cenovus was given until 26 March 2021 to provide the CER with any comments on the Draft Audit Report. On 12 March 2021, Cenovus indicated that it has no comments on the Draft Audit Report. The CER has now finalized its Final Audit Report and appendices, attached to this letter, which it will now post on the CER's website.

**Corrective and Preventive Action Plan**

Cenovus is required to file with the CER, a corrective and preventive action (CAPA) plan for approval within 30 calendar days of receipt of this Final Audit Report describing the methods, timing and rationale for addressing the non-compliant findings identified in the audit report (26 April 2021). Cenovus is directed to use the CER standard CAPA plan template in the development of its CAPA plan for approval. The template was previously provided to Cenovus.

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The CER will monitor and assess Cenovus's corrective and preventive actions until they are fully implemented. The CER will continue to monitor the implementation and effectiveness of Cenovus's management system and programs through targeted compliance verification activities as part of its on-going regulatory approaches.

If you require any further information or clarification, please contact Kathryn Milne, Lead Auditor, Systems Operations Business Unit at 403-837-1536 or at 1-800-899-1265 toll free.

Yours sincerely,

*Signed by*

Kathryn Milne  
Lead Auditor

c.c.: Mr. Dan Barghshoon, Acting-Director Audit, Enforcement and Investigation, Canada Energy Regulator, email [REDACTED]

Mr. Mark Tinney, Lead Auditor and Inspection Officer, Canada Energy Regulator, email [REDACTED]

[REDACTED], Group Lead Regulatory, Cenovus Energy Inc., email [REDACTED]

Attachment: Cenovus Energy Inc. Final Audit Report –  
Audit of Accountable Officer Annual Report, dated 26 March 2021



Canada Energy  
Regulator

Régie de l'énergie  
du Canada

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Canada Energy Regulator  
Suite 210, 517 Tenth Avenue SW  
Calgary, Alberta  
T2R 0A8

**Cenovus Energy Inc.**  
**Final Audit Report**  
**Audit of Accountable Officer Annual Report**  
**Compliance Verification Activity: CV2021-478**  
**File OF-Surv-OpAud-C933-2020-2021 01**  
**Date: 26 March 2021**



## Executive Summary

In accordance with section 103 of the *Canadian Energy Regulator Act*, the Canada Energy Regulator (CER) conducted a compliance audit of the Cenovus Energy Inc. (Cenovus) Accountable Officer Annual Report (Annual Report). The audit was conducted during the period from 3 November 2020 to 29 January 2021.

The objectives of the audit were to verify that Cenovus' Annual Report meets the requirements of the *Canadian Energy Regulator Onshore Pipeline Regulations* (SOR/99-294) (OPR), and that the company has the necessary processes, procedures, and work instructions in place to fulfill the requirements of the OPR section 6.6.

The scope of the audit included the staff, processes, and activities used to generate the 2019 Annual Report focusing on the OPR paragraphs 6.5(1)(b), 6.5(1)(v), 6.6(1)(a), 6.6(1)(b), and 6.6(1)(c) over all of Cenovus' program areas for all lifecycle phases of Cenovus' CER-regulated assets.

The CER:

- conducted the audit using the audit protocols, attached in Appendix 1 of this report;
- assessed whether Cenovus' documentation, processes, and activities complied with legal and other requirements under the CER's authority listed below:
  - The *Canadian Energy Regulator Act*,
  - The *Canadian Energy Regulator Onshore Pipeline Regulations* (SOR/99-294); and,
  - Any conditions contained within applicable certificates or orders issued by the CER.

The CER audit staff found Cenovus to be non-compliant with 1 out of 5 regulatory requirements. The non-compliant finding relates to a deficiency in how the annual report describes the company's performance in achieving its goals, objectives, and targets.

The findings from the audit are summarized in Table 1 and explained in detail in Appendix 1.0 of this report. In summary, Cenovus has demonstrated that it has completed an Annual Report, endorsed by the accountable officer, that satisfies most but not all of the regulatory requirements assessed during this audit.

With respect to the identified non-compliances, based on interviews with Cenovus' staff and a review of the information provided by the company, the CER is of the view that the non-compliant findings do not result in imminent or immediate safety or environmental protection issues.

Cenovus is required to develop a corrective and preventive action plan (CAPA Plan) to address the non-compliant findings, and file it with the CER within 30 days of receiving the Final Audit Report. The CER will monitor the implementation of the CAPA Plan to confirm that it is completed in a timely manner.



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## 1.0 Introduction

In accordance with section 103 of the *Canadian Energy Regulator Act* (CER Act), the Canada Energy Regulator (CER) conducted a compliance audit of the Cenovus Energy Inc. (Cenovus) Accountable Officer Annual Report (i.e., Cenovus Operations Management System Annual Management Review Report 2019 hereafter referred to as the 'Annual Report'). The audit was conducted during the period from 3 November 2020 to 29 January 2021.

CER audit staff applied the audit protocol listed in Appendix 1.0 of this report. Abbreviations and terminology used in the report can be found in Appendix 3.

Subsection 6.1(1) of the *Canadian Energy Regulator Onshore Pipeline Regulations (SOR/99-294)* (OPR) requires that companies regulated by the CER establish and implement a management system that:

- is explicit, comprehensive and proactive;
- integrates the company's operational activities and technical systems with its management of human and financial;
- applies to all of the company's activities involving the design, construction, operation, or abandonment of a pipeline, and to the programs referred to in section 55;
- ensures coordination between the programs referred to in section 55; and,
- corresponds to the size of the company, to the scope, nature, and complexity of its activities, and to the hazards and risks associated with those activities.

Each company and its management system is required to comply with all applicable requirements of the CER Act, its applicable regulations, any standards referenced in the regulations, and any company-specific Orders and Certificates.

### 1.1 Audit Objectives

The objectives of the audit were to verify that Cenovus' Annual Report meets the requirements of the OPR and that the company has the necessary processes, procedures and work instructions in place to fulfill the requirements of the OPR section 6.6.

### 1.2 Audit Scope and Methodology

The scope of the audit included the staff, processes, and activities used to generate the 2019 Annual Report focusing on the OPR paragraphs 6.5(1)(b), 6.5(1)(v), 6.6(1)(a), 6.6(1)(b), and 6.6(1)(c) over all of Cenovus' program areas for all lifecycle phases of Cenovus' CER-regulated assets.

An audit notification letter was sent to Cenovus on 3 November 2020 advising Cenovus of the CER's plans to conduct the audit and detailing the audit's objectives. The Lead Auditor provided the audit protocol, initial information request (IR) and the audit plan to Cenovus on 9 November 2020 and followed up on 16 November 2020 with an opening meeting to discuss the plans and schedule for the audit.

Document review began on 11 December 2020 and interviews were conducted during the period from 11 to 15 January 2021. The audit was conducted virtually with no physical on-site visits. Cenovus provided the CER with access to all of its documents and records related to the audit through a shared access site that Cenovus had organized.

To evaluate Cenovus' compliance, CER audit staff reviewed the documents and records provided by Cenovus and conducted interviews with company staff.



CER audit staff shared a pre-closeout summary of the results of the audit with Cenovus' staff on 20 January 2021, which identified one (1) potential non-compliance. While Cenovus was allowed an additional week to provide any documents or records which Cenovus believed could help resolve the non-compliance, Cenovus indicated they had nothing further to add. Thus, the pre-close out meeting doubled as the close out meeting.

## **2.0 Facility and Process Description**

Cenovus is an oil and gas company that owns and operates a diverse set of assets, including CER regulated pipelines that span British Columbia and Alberta. It is one of two companies created through the division of the Encana Corporation in 2009. While Cenovus is a large company, its pipeline systems are relatively small. Thus, the CER has designated Cenovus as a group 2 company. Group 2 companies are those that operate smaller, less complex pipelines with few or no third-party shippers.

Appendix 2 provides a map of the CER regulated assets.

The Cenovus Operations Management System (COMS) is used to govern the company's assets, including its pipeline systems. This management system is discussed at length in this audit report. Note that Cenovus acquired Husky Energy Inc. on 1 January 2021. Assets related to Husky Energy are excluded from the scope of this audit.

## **3.0 Assessment of Compliance**

### **3.1 General**

There are a number of requirements in this audit in order for an auditee to be able to demonstrate to the CER that it is conducting its activities in compliance with the OPR within the objectives and scope of the audit.

The OPR requires that CER-regulated companies establish documented policies and goals to ensure that its obligations under the OPR are met. The company is to have a policy for the internal reporting of hazards, potential hazards, incidents and near-misses and corporate goals for the prevention of ruptures, liquid and gas releases, fatalities and injuries and for the response to incidents and emergency situations. In addition, the OPR requires the company's accountable officer prepare a policy statement that sets out the company's commitment to those policies and goals and communicate it to the company's employees.

The company is to base its management system, as well as the programs referred to in section 55 of the OPR on its policies and goals. It also must have a process for setting the objectives and specific targets required to achieve the corporate goals, and performance measures for evaluating the company's success in achieving its goals, objectives and targets.

Having established a management system, the OPR requires the company to establish and implement a process for evaluating the adequacy and effectiveness of the management system and for monitoring, measuring and documenting the company's performance in meeting its obligations under the OPR. To accomplish this, the company is required to have a quality assurance program for the management system and for each program referred to in section 55, including a process for conducting compliance audits and for taking corrective and preventive actions if deficiencies are identified.



The primary focus of the audit being reported herein, is that the OPR requires the company to generate an Annual Report for the accountable officer's review and signature. The Annual Report is to 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 is to describe the adequacy and effectiveness of the company's management system in achieving the companies, policies, goals and objectives and to describe 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 is to 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 April 30 of each year.

The receipt of this annual notification serves to advise the CER that the accountable officer is aware of and has signed off on an Annual Report which details:

- 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.

### **3.2 Assessment of Cenovus' Regulated Facilities**

The CER audit staff's assessment of Cenovus' compliance with the regulatory requirements are summarized in Table 1 of this report and explained in detail in Appendix 1.0 attached to this report. The CER audit staff had no issues of concern with 4 of the protocol items and found Cenovus to be non-compliant with 1 of the regulatory requirements evaluated as part of this audit.

### **3.3 List of Audit Findings**

The CER could assign one of two possible types of findings to each audit protocol item evaluated:

1. No Issues Identified – *No non-compliances were identified during the audit based on the information provided and reviewed within the context of the scope of the audit; or,*
2. Non-compliant – *An evaluated regulatory requirement does not meet legal requirements. The company has not demonstrated that it has developed and implemented programs, processes and procedures that meet the legal requirements. A corrective and preventive action plan must be developed and implemented.*

Below is a table that provides the summary of the CER's audit findings. They correspond to the Appendix 1.0 Audit Assessment Tables that provide more information regarding the review and substance of each finding.



**Table 1 Summary of Findings**

Audit Protocol Item	Regulatory Reference	Protocol Topic	Status	Summary of Finding
AP-01	OPR paragraph 6.5(1)(b)	Performance Measures to meet Company Goals, Objectives and Targets	No Issues Identified	<p>The company has developed performance measures that are relevant to its documented goals, objectives, and targets.</p> <p>The performance measures support the ability to assess the achievement of the company's goals, objectives, and targets.</p> <p>The company applies the performance measures to assess its success in achieving its goals, objectives and targets.</p>
AP-02	OPR paragraph 6.6(1)(a)	Describe Company's Performance in Achieving its Goals, Objectives and Targets	Non-Compliant	<p>Performance metrics and goals relating to the OPR section 55 programs are absent from the report.</p> <p>Cenovus has not demonstrated that the performance of each program contributes to the aggregated performance of the management system as a whole.</p>
AP-03	OPR paragraph 6.5(1)(v)	Process to Evaluate Adequacy and Effectiveness of the Management System	No Issues Identified	<p>The Annual Report discusses the company's performance in achieving its goals, objectives and targets.</p> <p>The goals, objectives and targets are those developed in accordance with the requirements of the OPR paragraph 6.5(1)(b).</p>
AP-04	OPR paragraph 6.6(1)(b)	Describe the Adequacy and Effectiveness of the Management System	No Issues Identified	<p>The company has completed an Annual Report for the previous calendar year that is signed by the accountable officer.</p> <p>The Annual Report discusses the adequacy and effectiveness of the company's management system.</p> <p>The discussion of adequacy and effectiveness of the management system is based on the process established and implemented in accordance with the requirements of the OPR paragraph 6.5(1)(v).</p>



Audit Protocol Item	Regulatory Reference	Protocol Topic	Status	Summary of Finding
AP-05	OPR paragraph 6.6(1)(c)	Describe the Actions Taken to Correct Deficiencies	No Issues Identified	The company has completed an Annual Report that has been signed by the accountable officer.  The company has identified any deficiencies identified by the company's quality assurance program, through audits, inspections and other activities.  The company has a quality assurance program.  The Annual Report discusses the actions taken by the company to correct any deficiencies that have been identified by the company's quality assurance program.

#### 4.0 Conclusion

Cenovus has demonstrated that it has completed an Annual Report, endorsed by the accountable officer, satisfying most but not all of the regulatory requirements assessed during this audit.

The CER requires Cenovus to address the deficiency identified during this audit through the development of a corrective and preventive action plan (CAPA Plan) using a template which will be provided by the CER to analyze, address, and manage the deficiency. Cenovus shall file the CAPA Plan with Canada Energy Regulator within 30 days of receiving the Final Audit Report.

The CER will assess the implementation of Cenovus' CAPA Plan to confirm it is fully implemented in a timely manner.

The CER will make the Final Audit Report public on the CER's external website.



## Appendix 1.0 Audit Assessment Tables

### AP-01 Performance Measures to meet Company Goals, Objectives and Targets

#### Regulatory Requirement:

**OPR paragraph 6.5(1)** A company shall, as part of its management system and the programs referred to in section 55,  
**(b)** develop performance measures for evaluating the company's success in achieving its goals, objectives and targets.

#### Expected Outcome:

- *The company has developed performance measures that are relevant to its documented goals, objectives, and targets.*
- *The performance measures support the ability to assess the achievement of the company's goals, objectives, and targets.*
- *The company applies the performance measures to assess its success in achieving its goals, objectives and targets.*

#### Summary of Information Made Available by Cenovus:

To demonstrate compliance with this requirement, Cenovus supplied the CER audit staff with:

- *Cenovus Operations Management System (COMS) Annual Management Review Report 2019*
- *1.2 Business Planning COMS Standard*
- *2.1 Organizational Structure and Accountability COMS Standard*
- *2.2 Talent Acquisition COMS Standard*
- *2.3 Performance Management COMS Standard*
- *3.1 Risk Management COMS Standard*
- *4.2 Physical Asset Management Strategies and Plans COMS Standard*
- *4.3 Physical Asset Management Work Execution COMS Standard*
- *4.4 Capital Project Management COMS Standard*
- *4.5 Operating and Maintenance Procedures COMS Standard*
- *4.6 Emergency and Business Continuity Management COMS Standard*
- *4.7 Supplier Management COMS Standard*
- *4.8 Non-conforming Parts and Materials COMS Standard*
- *5.1 Data and Information Management COMS Standard*
- *5.2 Internal Communications COMS Standard*
- *5.3 External Communications COMS Standard*
- *5.4 Training and Competency Management COMS Standard*
- *6.1 Management of Change COMS Standard*
- *7.1 Incident Management COMS Standard*



**Regulatory Requirement:**

**OPR paragraph 6.5(1)** A company shall, as part of its management system and the programs referred to in section 55,  
**(b)** develop performance measures for evaluating the company's success in achieving its goals, objectives and targets.

- *7.2 Assurance COMS Standard*
- *7.3 Self-Assessments COMS Standard*
- *7.4 Corrective Actions COMS Standard*
- *EBCM Strategy*
- *DB Operations 2019 Business Plan*
- *2019 HSE Business Plan*
- *Pipeline Integrity Management*
- *Strategy & planning cycle*
- *COMS 001 - Initiate COMS Standard*
- *COMS 009 - Review & Improve COMS Standard*
- *COMS 007 - Change COMS Standard*
- *COMS 002 – Quality Assure COMS Standard*
- *COMS 4.8 Review Feedback Request*
- *Q1 2020 COMS Program Performance Report – CLT Level*
- *IR 3.1 Response (emergency management sample)*
- *IR 3.2 Response (integrity management sample)*
- *IR 3.3 Response (safety management sample)*
- *IR 3.5 Response (accountable officer sample)*
- *IR 3.6 Response (accountable officer sample)*

**Assessment:**

Cenovus has satisfied the expected outcomes listed above.

Cenovus uses a 5-year business plan to document and communicate company-wide goals. The *1.2 Business Planning COMS Standard* sets expectations for each business unit to support these company-wide goals, which results in a cascading set of further goals and objectives.

The auditors sampled for the presence of performance measures and their associated goals for three of the section 55 programs: Integrity Management, Safety Management, and Emergency Management.



**Regulatory Requirement:**

**OPR paragraph 6.5(1)** A company shall, as part of its management system and the programs referred to in section 55,  
**(b)** develop performance measures for evaluating the company's success in achieving its goals, objectives and targets.

The auditors sampled the Deep Basin 2019 Operations Business Plan for integrity related performance measures associated with the goals within the plan. Cenovus provided two dashboards with a variety of performance measures such as pipeline failure rate, Process Safety Violation (PSV) fail test in unsafe mode, non-compliance to management of change, critical competency compliance etc. The status of these performance measures were also provided.

Similarly, the auditors sampled the 2019 HSE Business plan for safety related performance measures associated with the goals within the plan. Cenovus provided a dashboard that tracked metrics related to life saving rules (LSR). Examples of metrics include: LSR violations, and LSR field verifications. The status of these performance measures were also provided.

Last, the auditors sampled documents relating to emergency management performance measures. Cenovus governs Emergency Management via the *4.6 Emergency and Business Continuity Management COMS Standard*, and the *Comprehensive Emergency & Business Continuity Management Program Strategy Document*. One 2019 goal was to 'progress maturity & capability of the Business Continuity program'. Objectives to support this goal were to: publish a particular document; review 16 enabling functions; and conduct 1 test case. A dashboard with the work streams and their percent completion provided the status of these performance measures.

**Finding: No Issues Identified**

Based on the information made available by Cenovus and reviewed by the CER audit staff within the scope of this audit, no issues were identified related to paragraph 6.5(1)(b).



## AP-02 Describe Company's Performance in Achieving its Goals, Objectives and Targets

### Regulatory Requirement:

**OPR paragraph 6.6(1)** A company shall complete an annual report for the previous calendar year, signed by the accountable officer, that describes

- (a) 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).

**Expected Outcomes:** The company is able to demonstrate that:

- *The company has completed an annual report for the previous calendar year*
- *The report has been reviewed and signed by the accountable officer.*
- *The annual report discusses the company's performance in achieving its goals, objectives and targets*
- *The goals, objectives and targets are those developed in accordance with the requirements of the OPR paragraph 6.5(1)(b)*

**Summary of Information Made Available by Cenovus:**

To demonstrate compliance with this requirement, Cenovus supplied the CER audit staff with the following documents:

- *Cenovus Operations Management System (COMS) Annual Management Review Report 2019 (Annual Report)*
- *2019 CER Annual Report Declaration Letter Signed*
- *COMS 005 - Self-Assess COMS Standard*
- *Screenshot of the COMS Corrective Actions Dashboard in Power BI*
- *IR 3.2 Response (integrity management performance measure)*
- *IR 3.4 Response (Annual Report confirmation)*
- *IR 3.5 Response (accountable officer sample)*
- *IR 3.6 Response (accountable officer sample)*
- *IR 3.7 Response (Cenovus Strategy query)*
- *IR 3.8 Response (significant incident frequency query)*
- *IR 3.9 Response (performance measures in Annual Report)*
- *IR 4.2 Environment Protocol*
- *IR 4.2 Response (audit protocol sample)*

### Assessment:

Cenovus has not satisfied all expected outcomes listed above.

Cenovus has provided the CER with a document that serves as the 2019 Annual Report (COMS Annual Management Review Report 2019). This report contains a forward from the accountable officer, yet the report is not signed by the accountable officer.



**Regulatory Requirement:**

**OPR paragraph 6.6(1)** A company shall complete an annual report for the previous calendar year, signed by the accountable officer, that describes

- (a) 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).

The Oxford dictionary defines 'to sign' as follows<sup>1</sup>:

"...indicate agreement with or authorization of the contents of (a document or other written or printed material) by attaching a signature..." (Oxford, 2021).

With this definition in mind,

- interviews indicate that the accountable officer has reviewed the report and is informed of the company's performance with respect to the management system ; and
- the accountable officer does sign the 2019 CER Annual Report Declaration Letter, which indicates the accountable officer has endorsed the Annual Report.

Therefore, Cenovus marginally satisfies the requirement of a signed Annual Report.

The management system is composed of the standards as applied to the section 55 programs. Section 55 programs include the disciplines of:

- Emergency Management;
- Integrity Management;
- Safety Management;
- Security Management;
- Environmental Protection; and
- Damage Prevention.

The performance in achieving the goals, objectives, and targets related to the standards are described in the Annual Report. However, the performance with respect to the section 55 programs are absent from the report. This deficiency renders AP-02 non-compliant.

The auditors acknowledge that within the Annual Report, the Leadership section (associated with Business Planning Standard) provides a 2019 Corporate Scorecard that indicates target corporate performance vs actual metrics relating to the categories of: Safety & Environment; Operating; and Financial. The scorecard is insufficient because:

<sup>1</sup> "Signed". Oxford Dictionary, *Oxford Dictionaries Bing Translator*. <https://www.bing.com/search?q=definition+of+signed&src=IE-SearchBox&FORM=IENTSR>. Accessed 20 January 2021.



**Regulatory Requirement:**

**OPR paragraph 6.6(1)** A company shall complete an annual report for the previous calendar year, signed by the accountable officer, that describes

(a) 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).

- it does not reference the goals being measured; and
- these measures do not encompass all section 55 programs.

The CER expects that the goals of the section 55 programs shall be aligned with the overarching goals of the management system. In other words, the performance of each program contributes to the aggregated performance of the management system as a whole.

**Finding: Non-Compliant**

Based on the information made available by Cenovus and reviewed by the CER audit staff within the scope of this audit, paragraph 6.6(1)(a) is non-compliant because:

- Performance metrics and associated goals relating to the section 55 programs are absent from the report; and
- Cenovus has not demonstrated that the performance of each program contributes to the aggregated performance of the management system as a whole.

Cenovus shall develop a CAPA to address these deficiencies and submit to the CER within a CAPA Plan.



## AP-03 Process to Evaluate the Adequacy and Effectiveness of the Management System

### Regulatory Requirement:

**OPR paragraph 6.5(1)** A company shall, as part of its management system and the programs referred to in section 55, (v) 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.

**Expected Outcome:** The company is able to demonstrate that:

- *The company has a compliant process that is established and implemented.*
- *The company has developed methods for evaluating the adequacy and effectiveness of its management system.*
- *The company's management system has been evaluated for adequacy and effectiveness.*
- *The company's performance in meeting its obligations under these Regulations have been monitored, measured and are documented.*
- *The company has implemented corrective actions based on the results of its monitoring and measuring the adequacy and performance of its management system.*

### Summary of Information Made Available by Cenovus

To demonstrate compliance with this requirement, Cenovus provided the CER audit staff with its:

- *Cenovus Operations Management System (COMS) Annual Management Review Report 2019*
- *4.8 Non-conforming Parts and Materials COMS Standard*
- *7.2 Assurance COMS Standard*
- *7.3 Self-Assessment COMS Standard*
- *7.4 Corrective Action COMS Standard*
- *COMS 4.8 Review Feedback Request*
- *COMS 005 - Self-Assess COMS Standard*
- *COMS 006 – Deviate from COMS Standard*
- *COMS 007 - Change COMS Standard*
- *COMS 009 - Review & Improve COMS Standard*
- *COMS Roles and Responsibilities*
- *Q3 2020 COMS Program Report COMS Standard Owners and COMS Standard Managers*
- *HSER Audit Standard*
- *HSER Audit Procedure*
- *COMS Self-Assessment Final Presentation – 2.2 in OSRD 2020*



**Regulatory Requirement:**

**OPR paragraph 6.5(1)** A company shall, as part of its management system and the programs referred to in section 55, (v) 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.

- *Screenshot of the Upstream page on the COMS SharePoint site*
- *2019-02 ICAP – HSER Elmworth Gas Plant – Action Plan Report*
- *COMS Assurance Program TOR*
- *COMS Design Assessment TOR*
- *IR 4.1 Response (audit protocol)*
- *IR 4.2 Environment Protocol*
- *IR 4.2 Response (audit protocol)*
- *IR 4.3 Response (self assessment)*
- *IR 4.4 Response (management review process)*
- *IR 4.5 Response (Annual Report input)*

**Assessment:**

Cenovus has satisfied the expected outcomes listed above.

COMS has 7 elements and 21 standards. Each standard contains a section entitled measures and verification. This section provides performance measures and targets that indicate the adequacy and effectiveness of the standard. *7.3 Self-Assessment COMS Standard* documents the steps to assess: standards as well as critical business processes and procedures; which roles are involved; timelines; outputs; and other minimum requirements. Several flowcharts (COMS 005-009) support the steps described in this standard, including deviations and changes from, and improvements to the standard. Standards performance measures have been assessed against their targets, as evidenced in the Annual Report, interviews, and other documents sampled.

The self-assessment process is a component within a larger assurance framework, as described in the *7.2 Assurance COMS Standard*. Both document reviews and interviews indicate that various audit and other activities are occurring to verify the performance of the COMS Management System.

**Finding: No Issues Identified**

Based on the information made available by Cenovus and reviewed by the CER audit staff within the scope of this audit, no issues are identified for paragraph 6.5(1)(v).



## AP-04 Describe the Adequacy and Effectiveness of the Management System

### Regulatory Requirement:

**OPR paragraph 6.6(1)** A company shall complete an annual report for the previous calendar year, signed by the accountable officer, that describes,

(b) the adequacy and effectiveness of the company's management system, as evaluated by the process established and implemented under paragraph 6.5(1)(v);

**Expected Outcome:** The company is able to demonstrate that:

- *The company has completed an annual report for the previous calendar year that is signed by the accountable officer*
- *The annual report discusses the adequacy and effectiveness of the company's management system.*
- *The discussion of adequacy and effectiveness of the management system is based on the process established and implemented in accordance with the requirements of the OPR paragraph 6.5(1)(v).*

### Summary of Information Made Available by Cenovus:

Cenovus supplied Canada Energy Regulator (CER) audit staff with its:

- *Cenovus Operations Management System (COMS) Annual Management Review Report 2019*
- *4.8 Non-conforming Parts and Materials COMS Standard*
- *7.2 Assurance COMS Standard*
- *COMS 006 – Deviate from COMS Standard*
- *COMS 007 - Change COMS Standard*
- *COMS 009 - Review & Improve COMS Standard*
- *COMS 4.8 Review Feedback Request*
- *COMS 005 - Self-Assess COMS Standard*
- *COMS Roles and Responsibilities*
- *Q3 2020 COMS Program Report COMS Standard Owners and COMS Standard Managers*
- *HSER Audit Standard*
- *HSER Audit Procedure*
- *COMS Self-Assessment Final Presentation – 2.2 in OSRD 2020*
- *Screenshot of the Upstream page on the COMS SharePoint site*
- *2019-02 ICAP – HSER Elmworth Gas Plant – Action Plan Report*
- *COMS Assurance Program TOR*



**Regulatory Requirement:**

**OPR paragraph 6.6(1)** A company shall complete an annual report for the previous calendar year, signed by the accountable officer, that describes,

(b) the adequacy and effectiveness of the company's management system, as evaluated by the process established and implemented under paragraph 6.5(1)(v);

- *COMS Design Assessment TOR*

**Assessment:**

Cenovus has satisfied the expected outcomes listed above.

COMS is composed of multiple elements; each subdivided into multiple standards. The Annual Report summarizes: the Cenovus Operational Management System (COMS), significant organizational achievements for 2019, and performance of each standard. In general, each standard addresses:

- Purpose of the associated standards;
- Significant 2019 achievements;
- Progress against 2019 initiatives; and
- Potential improvement initiatives for 2020.

Each standard contains a measures and verification section, which indicates the measures and targets used to assess adequacy and effectiveness. Key measures are referenced in the Annual Report.

The Annual Report also provides a snapshot of a COMS corrective action dashboard, which illustrates the number of corrective actions associated with each standard. This dashboard is accessible to all Cenovus employees.

**Finding: No Issues Identified**

Based on the information made available by Cenovus and reviewed by the CER audit staff within the scope of this audit, no issues are identified for paragraph 6.6(1)(b).



## AP-05 Describe the Actions Taken to Correct Deficiencies

### Regulatory Requirement:

**OPR paragraph 6.6(1)** A company shall complete an annual report for the previous calendar year, signed by the accountable officer, that describes

(c) the actions taken during that year to correct any deficiencies identified by the quality assurance program established under paragraph 6.5(1)(w).

**Expected Outcome:** The Company is able to demonstrate that:

- *The company has completed an annual report that has been signed by the accountable officer.*
- *The company has identified any deficiencies identified by the company's quality assurance program, through audits, inspections and other activities.*
- *The company has a quality assurance program.*
- *The annual report discusses the actions taken by the company to correct any deficiencies that have been identified by the company's quality assurance program.*

### Summary of Information Made Available by Cenovus:

To demonstrate compliance to this regulatory requirement, Cenovus supplied CER audit staff with its:

- *Cenovus Operations Management System (COMS) Annual Management Review Report 2019*
- *2019-02 ICAP – HSER Elmworth Gas Plant – Action Plan Report*
- *4.8 Non-conforming Parts and Materials COMS Standard*
- *7.2 Assurance COMS Standard*
- *7.3 Self-Assessments COMS Standard*
- *7.4 Corrective Actions COMS Standard*
- *COMS Assurance Program TOR*
- *COMS Design Assessment TOR*
- *HSER Audit Standard*
- *HSER Audit Procedure*
- *IR 5.1 Response*
- *IR 4.2 Environment Protocol*



**Regulatory Requirement:**

**OPR paragraph 6.6(1)** A company shall complete an annual report for the previous calendar year, signed by the accountable officer, that describes

(c) the actions taken during that year to correct any deficiencies identified by the quality assurance program established under paragraph 6.5(1)(w).

**Assessment:**

Cenovus has satisfied the expected outcomes listed above.

Cenovus has demonstrated a quality assurance program via documents such as:

- *4.8 Non-conforming Parts and Materials COMS Standard;*
- *7.2 Assurance COMS Standard;*
- *7.3 Self-Assessments COMS Standard;*
- *7.4 Corrective Actions COMS Standard; and the*
- *HSER Audit Standard and Audit Procedure;*

CER Auditors verified the implementation of the quality assurance program via interviews and sampling of documents such as the Environmental Protocols related to their Integrated Compliance Assurance Program (ICAP). Deficiencies identified by the quality assurance program are tracked in various databases and software programs, specific to each standard and type of deficiency.

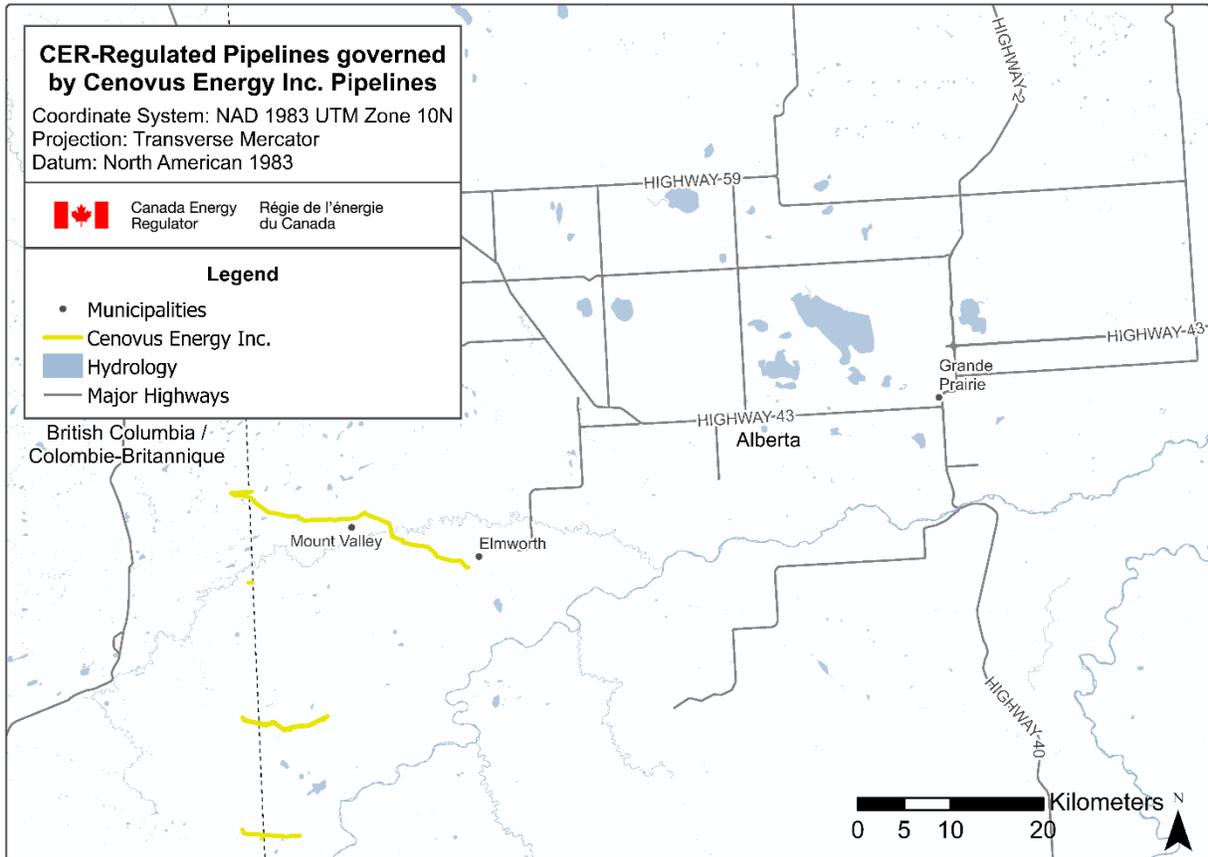
Actions taken to resolve deficiencies are summarized in section 7.4 (Corrective Action) of the Annual Report, including a snapshot of the COMS Corrective Actions Dashboard. This dashboard provides a variety of colored bar, tree and circle graphs that provide a snapshot of corrective actions as they relate to each standard, their progress towards completion, and their risk ranking.

**Finding: No Issues Identified**

Based on the information made available by Cenovus and reviewed by the CER audit staff within the scope of this audit, no issues are identified for paragraph 6.6(1)(c).

## Appendix 2.0 Map and System Description

Cenovus' CER-Regulated pipelines are shown in the map below.



The map is a graphical representation intended for general informational purposes only. Map produced by the CER, December 2020, Last updated on Dec 07

**Figure 1. Map of Relevant CER Regulated Pipelines**



## Appendix 3.1 Abbreviations

The following abbreviations were used in this report:

AP:	Audit Protocol
CAPA:	Corrective and Preventive Actions
CER:	Canada Energy Regulator
CER Act:	<i>Canadian Energy Regulator Act</i>
CLT:	Cenovus Leadership Team
COMS:	Cenovus Operations Management System
EBCM:	Emergency Business Continuity Management
HSER	Health & Safety, Environment and Regulatory
ICAP:	<i>Integrated Compliance Audit Programme</i>
IR:	CER audit Information Request
LSR	Life Saving Rules
OPR:	<i>Onshore Pipeline Regulations</i>
OSRD:	Oil Sands Resource Development
PSV:	Process Safety Violation
TOR:	Terms of Reference



## Appendix 3.2 Glossary of Terminology and Definitions

(The CER has applied the following definitions and explanations in measuring the various requirements included in this audit. They follow or incorporate legislated definitions or guidance and practices established by the CER.)

**Adequate:** The management system, programs or processes complies with the scope, documentation requirements and, where applicable, the stated goals and outcomes of the CER Act, its associated regulations and referenced standards. Within the CER's regulatory requirements, this is demonstrated through documentation.

**Audit:** A systematic, documented verification process of objectively obtaining and evaluating evidence to determine whether specified activities, events, conditions management systems or information about these matters conform to audit criteria and legal requirements and communicating the results of the process to the company.

**Corrective Action Plan:** A plan that addresses the non-compliances identified in the audit report and explains the methods and actions that will be used to correct them.

**Developed:** A process or other requirement has been created in the format required and meets the described regulatory requirements.

**Effective:** A process or other requirement meets its stated goals, objectives, targets and regulated outcomes. Continual improvement is being demonstrated. Within the CER's regulatory requirements, this is primarily demonstrated by records of inspection, measurement, monitoring, investigation, quality assurance, audit and management review processes as outlined in the OPR.

**Established:** A process or other requirement has been developed in the format required. It has been approved and endorsed for use by the appropriate management authority and communicated throughout the organization. All staff and persons working on behalf of the company or others that may require knowledge of the requirement are aware of the process requirements and its application. Staff has been trained on how to use the process or other requirement. The company has demonstrated that the process or other requirement has been implemented on a permanent basis. As a measure of 'permanent basis,' the CER requires the requirement to be implemented, meeting all of the prescribed requirements, for three months.

**Finding:** The evaluation or determination of the compliance of programs or elements in meeting the requirements of the *Canadian Energy Regulator Act* and its associated regulations.

**Implemented:** A process or other requirement has been approved and endorsed for use by the appropriate management authority. It has been communicated throughout the organization. All staff and persons working on behalf of the company or others that may require knowledge of the requirement are aware of the process requirements and its application. Staff has been trained on how to use the process or other requirement. Staff and others working on behalf of the company have demonstrated use of the process or other requirement. Records and interviews have provided evidence of full implementation of the requirement, as prescribed (i.e., the process or procedures are not partially utilized).

**Inventory:** A documented compilation of required items. It must be kept in a manner that allows it to be integrated into the management system and management system processes without further definition or analysis.



**List:** A documented compilation of required items. It must be kept in a manner that allows it to be integrated into the management system and management system processes without further definition or analysis.

**Maintained:** A process or other requirement has been kept current in the format required and continues to meet regulatory requirements. With documents, the company must demonstrate that it meets the document management requirements in OPR, paragraph 6.5(1)(o). With records, the company must demonstrate that it meets the records management requirements in OPR, paragraph 6.5(1)(p).

**Management System:** The system set out in OPR sections 6.1 to 6.6. It is a systematic approach designed to effectively manage and reduce risk, and promote continual improvement. The system includes the organizational structures, resources, accountabilities, policies, processes and procedures required for the organization to meet its obligations related to safety, security and environmental protection.

*(The CER has applied the following interpretation of the OPR for evaluating compliance of management systems applicable to its regulated facilities.)*

*As noted above, the CER management system requirements are set out in OPR sections 6.1 to 6.6. Therefore, in evaluating a company's management system, the CER considers more than the specific requirements of section 6.1. It considers how well the company has developed, incorporated and implemented the policies and goals on which it must base its management system as described in section 6.3; its organizational structure as described in section 6.4; and considers the establishment, implementation, development and/or maintenance of the processes, inventory and list described in subsection 6.5(1). The company's management system and processes must apply and be applied to the programs described in section 55.*

**Manual:** A document that contains a set of instructions on methods which are employed to accomplish a result. These instructions will be detailed and comprehensive. The document will be organized for ease of use.

**Non-Compliant:** The audited company has not demonstrated that it has established, developed, maintained and/or implemented programs, processes and procedures that meet the legal requirements relating to the protocol item referenced. A corrective and preventive action plan (CAPA Plan) must be developed for approval and implemented.

**Plan:** A detailed, documented formulation for action to achieve an end.

**Practice:** A repeated or customary action that is well understood by the persons authorized to carry it out.

**Procedure:** A procedure indicates how a process will be implemented. It provides a documented series of steps followed in a regular and defined order thereby allowing individual activities to be completed in an effective and safe manner. A procedure also outlines the roles, responsibilities and authorities required for completing each step.

**Process:** A documented series of actions taking place in an established order, with identified roles and responsibilities, and directed towards a result. A process includes the roles, responsibilities and authorities for the actions. A process may contain a set of procedures, if required.

*(The CER has applied the following interpretation of the OPR for evaluating compliance of management system processes applicable to its regulated facilities.)*



*OPR subsection 6.5(1) describes the CER's required management system processes. In evaluating a company's management system processes, the CER considers whether each process or requirement: has been established, implemented, developed or maintained as described within each section; whether the process is documented; and whether the process is designed to address the requirements of the process, for example a process for identifying and analyzing all hazards and potential hazards. Processes must contain explicit required actions including roles, responsibilities and authorities for staff establishing, managing and implementing the processes. The CER considers this to constitute a common 5 w's and h approach (who, what, where, when, why and how). The CER recognizes that the OPR processes have multiple requirements; companies may therefore establish and implement multiple processes, as long as they are designed to meet the legal requirements and integrate any processes linkages contemplated by the OPR section. Processes must incorporate or contain linkage to procedures, where required to meet the process requirements.*

*As the processes constitute part of the management system, the required processes must be developed in a manner that allows them to function as part of the system. The required management system is described in OPR section 6.1. The processes must be designed in a manner that contributes to the company following its policies and goals established and required by section 6.3.*

*Further, OPR subsection 6.5(1) indicates that each process must be part of the management system **and** the programs referred to in OPR section 55. Therefore, to be compliant, the process must also be designed in a manner which considers the specific technical requirements associated with each program and is applied to and meets the process requirements within each program. The CER recognizes that single process may not meet all of the programs; in these cases it is acceptable to establish governance processes as long as they meet the process requirements (as described above) and direct the program processes to be established and implemented in a consistent manner that allows for the management system to function as described in section 6.1.*

**Program:** A documented set of processes and procedures designed to regularly accomplish a result. A program outlines how plans, processes and procedures are linked, and how each one contributes toward the result. Program planning and evaluation are conducted regularly to check that the program is achieving intended results.

*(The CER has applied the following interpretation of the OPR for evaluating compliance of programs required by the CER regulations.)*

*The program must include details on the activities to be completed including what, by whom, when, and how. The program must also include the resources required to complete the activities.*



## **Appendix 4.0 List of Company Staff Interviewed and Documents Reviewed**

The lists of company staff interviewed and documents reviewed are maintained on file at the offices of the Canada Energy Regulator.