



LIVING OUR VALUES

RESPECT FOR THE LAND | RESPECT FOR THE ENVIRONMENT
TRANSCANADA 2011 CORPORATE RESPONSIBILITY REPORT SUMMARY



TransCanada
In business to deliver



Valued Neighbours

Stewart Chudleigh, farmer and TransCanada landowner and Jared Daku, TransCanada landowner representative.

Stewart's family has been farming the prairies for five generations. And he's been our neighbour since we began work on Keystone.

"We've trusted TransCanada, they've been a good neighbour and they've treated us well."

LIVING OUR VALUES

“For 60 years, we have delivered the energy people need, reliably, and with the greatest care for the safety of our employees, our contractors, the environment and our communities — building a reputation that has allowed us to grow into the company we are today.”

— Russ Girling, President & CEO



A Message From President & CEO Russ Girling

60 YEARS OF LIVING OUR VALUES

This year TransCanada celebrates 60 years of incorporation, a span of time during which our company has grown and transformed. We've welcomed many other companies into the family; our workforce has grown and we now have talent spanning North America. Our historical portfolio of natural gas pipelines has transformed to include assets and projects in power generation and oil pipelines. We help meet the energy needs of millions of people all across North America in many ways.

Every day during the past 60 years our work has demonstrated integrity, responsibility, collaboration and innovation. These values continue to guide our company to do what is fundamentally right and to meet difficult challenges head on.

In our 2011 Corporate Responsibility Report we highlight our values and demonstrate through our actions how each one of us here at TransCanada lives our values each day in every way as we conduct our business.

Our Employees

TransCanada has become the successful company it is today through the dedication of its talented employees and contractors across North America. We now have more than 4,300 employees who live and contribute to their communities in seven Canadian provinces, 33 U.S. and five Mexican states.

I am proud to say our injury frequency rates were among the lowest in our industry in the past year. Our environmental and safety record in our operations and in the communities where we operate is also among the best in class. That's because at TransCanada, we understand the importance of providing safe and reliable energy services to the communities and environment in which we work.

Energy Matters

We also understand the importance of developing a less carbon-intensive energy future. That's why we are investing in wind, solar, nuclear and hydro generation. But the fact is fossil fuel will remain the cornerstone of growing global energy consumption for decades to come.



Our Commitment to Stakeholder Engagement

We listen to our stakeholders to identify issues and develop mutually beneficial solutions. We talk with landowners, Aboriginals, Native Americans, community groups and other stakeholders, and consider their viewpoint when developing our projects.

To that end, we regularly engage with our 60,000 landowners/partners to share information about our plans and help them understand our projects and our operations.

Community Investment

We are proud of our extensive community investment strategy, through which we invested more than \$10 million in 2011 in the areas of wellness, safety and the environment. Our goal is to ensure the communities in which we operate are vibrant, successful and sustainable.

TransCanada also engages employees in these worthy causes by matching their personal contributions and through programs that encourage volunteerism during work hours and during personal time.

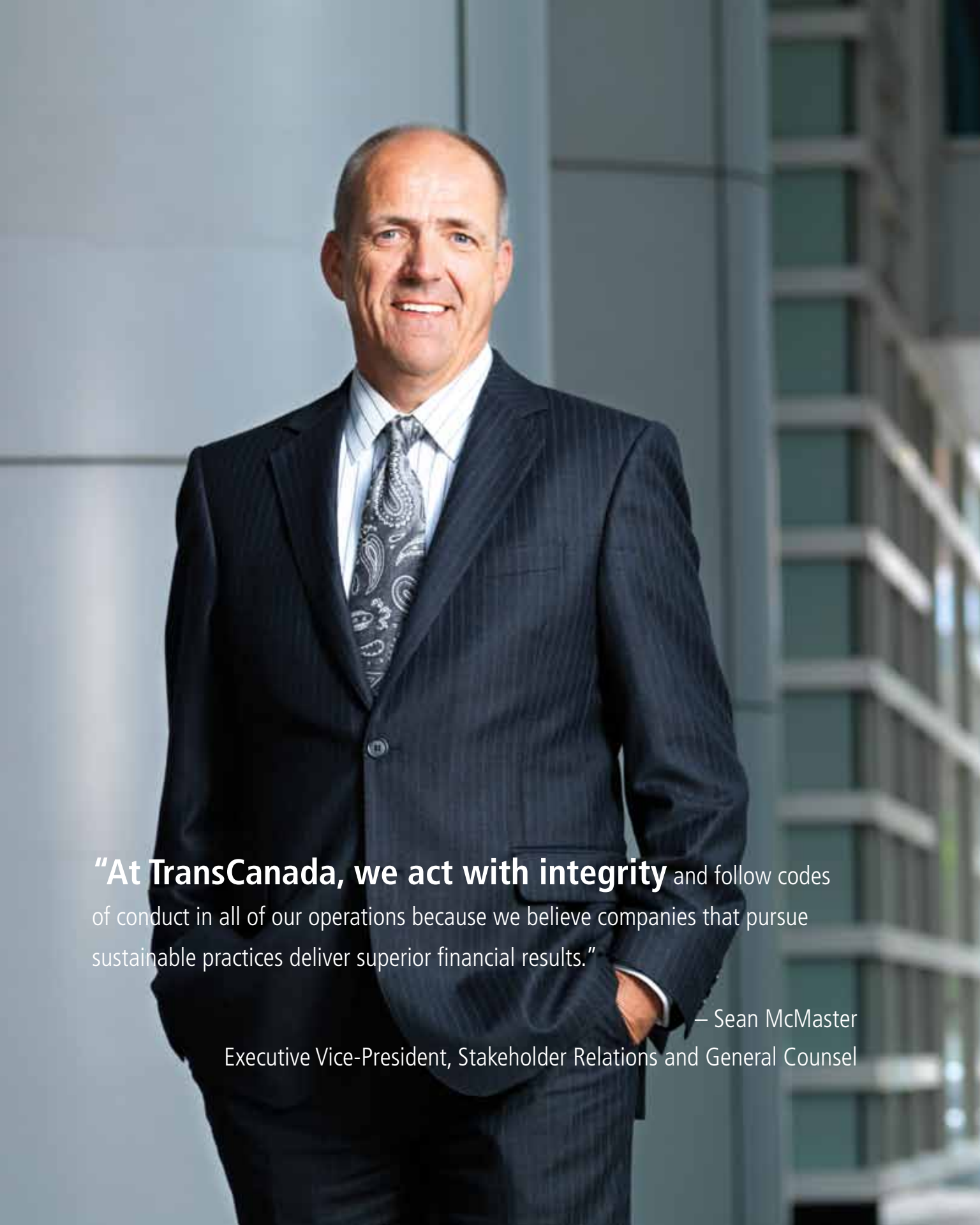
Our Values in Action — Keystone Pipelines

We believe that through Keystone XL, we are able to demonstrate our values as a company in the manner in which we handle this very complex, lengthy and controversial project, from conception to operation.

The Future

We have a rich history and that's something we can all be proud of. Like all companies we have our challenges. These challenges have provided us with great opportunities to learn, to grow and to continue to improve. This culture of learning is the foundation for our future.

Our values will continue to be our guide as we navigate the path to success. I extend deep gratitude to our dedicated employees for remaining steadfast to our values and the continuing success of TransCanada.



“At TransCanada, we act with integrity and follow codes of conduct in all of our operations because we believe companies that pursue sustainable practices deliver superior financial results.”

— Sean McMaster
Executive Vice-President, Stakeholder Relations and General Counsel



This is **Our Business**

Alberta Oil magazine recognized TransCanada's Executive Vice-President, Stakeholder Relations and General Counsel Sean McMaster, in its January 2011 issue as one of six exemplary leaders "whose efforts have propelled their organizations to excellence and ensured the ongoing success of Canada's energy industry."*

*Find a complete list of TransCanada's external awards and acknowledgements in our online 2011 Corporate Responsibility Report.

INTEGRITY IS THE FOUNDATION OF OUR BUSINESS

TransCanada has \$49 billion in blue chip energy-infrastructure assets; a substantial growth portfolio; and a presence in seven Canadian provinces, 33 U.S. states and five Mexican states. Since the spring of 2010 we have brought \$10 billion of growth projects in service and we are positioned to complete another \$13 billion of new projects by 2015. Each of these new projects are large-scale, long-life assets supported by strong business fundamentals and long-term contracts that provide attractive and sustainable returns to shareholders over a long-term horizon.

These assets are doing, and will do what they were designed to do: produce predictable, sustainable earnings and cash flow growth for our shareholders, while delivering energy safely and reliably to customers across North America.

We operate one of North America's largest natural gas pipeline networks — 68,500 kilometres (42,500 miles) — tapping into virtually every major gas supply basin on the continent. We deliver 20 per cent of the natural gas consumed in North America each and every day.

TransCanada is the third-largest natural gas storage provider on the continent with 380 billion cubic feet of capacity.

We are Canada's largest private sector power generator, with 20 power plants in Canada and the U.S. that produce 10,900 megawatts of electricity. We can produce enough power to meet the needs of nearly 11 million homes.

In the summer of 2010 we broadened our asset base to include a significant entrance into the oil transportation business with the start of commercial operations on our Keystone pipeline system, delivering a reliable source of crude oil to U.S. refineries. The system was expanded in 2011 with completion of the Cushing Extension.

We remain focused on doing the right thing — as we have done for decades — to ensure we maintain the trust of the communities where we work. It is important that our values continue to be our guide in navigating the path forward.

2011 Financial Highlights

- Net Income Applicable to Common Shares: **\$1.5 billion or \$2.18 per share**
- Comparable Earnings: **\$1.6 billion or \$2.23 per share**
- Comparable Earnings before Interest, Taxes, Depreciation and Amortization: **\$4.8 billion**
- Funds Generated from Operations: **\$3.7 billion**
- Capital Expenditures: **\$3.3 billion**
- Common Shares Dividend Declared: **\$1.68 per share**

For additional detail on TransCanada's financial performance in 2011, see our 2011 Annual Report.

2011 Operational Highlights

Projects brought into service

In line with TransCanada's strategic direction, the company achieved significant milestones in 2011 by bringing the following projects into service:

- **Bison Pipeline** — natural gas pipeline in U.S. (January 2011)
- **Keystone Cushing extension of the U.S. Keystone pipeline system** (February 2011)
- **Coolidge Generating Station** — natural gas generation plant in Arizona (May 2011)
- **Guadalajara Pipeline** — natural gas pipeline in Mexico (June 2011)
- **Cartier, Gros-Morne I and Montagne-Sèche Wind Farms** — Québec, Canada (December 2011)
- **Multiple natural gas pipeline projects in Alberta and B.C., Canada**

GOVERNANCE

TransCanada conducts its business by continuing to respect and follow clear values. Arising from the principles and policies endorsed by our Board of Directors, the values of integrity, collaboration, responsibility and innovation guide our actions. The result is responsible action at every level of our enterprise.



COMPLIANCE

At TransCanada, compliance is part of what we do every day. It permeates all of our business units. It's how we work as a company and it is a key ingredient of our success.

Our Code of Business Ethics (COBE) is the foundation of our corporate ethics and compliance program and the overarching guide to employee conduct. It is supported by other compliance-related policies and activities that help ensure compliance with legal requirements in all corners of the business: from the inter-affiliate Codes and Standards of Conduct to Human Resources and Health, Safety & Environment, through to our accounting practices. Compliance is the responsibility of all of our employees and contractors that work for us.

SUPPLY CHAIN MANAGEMENT

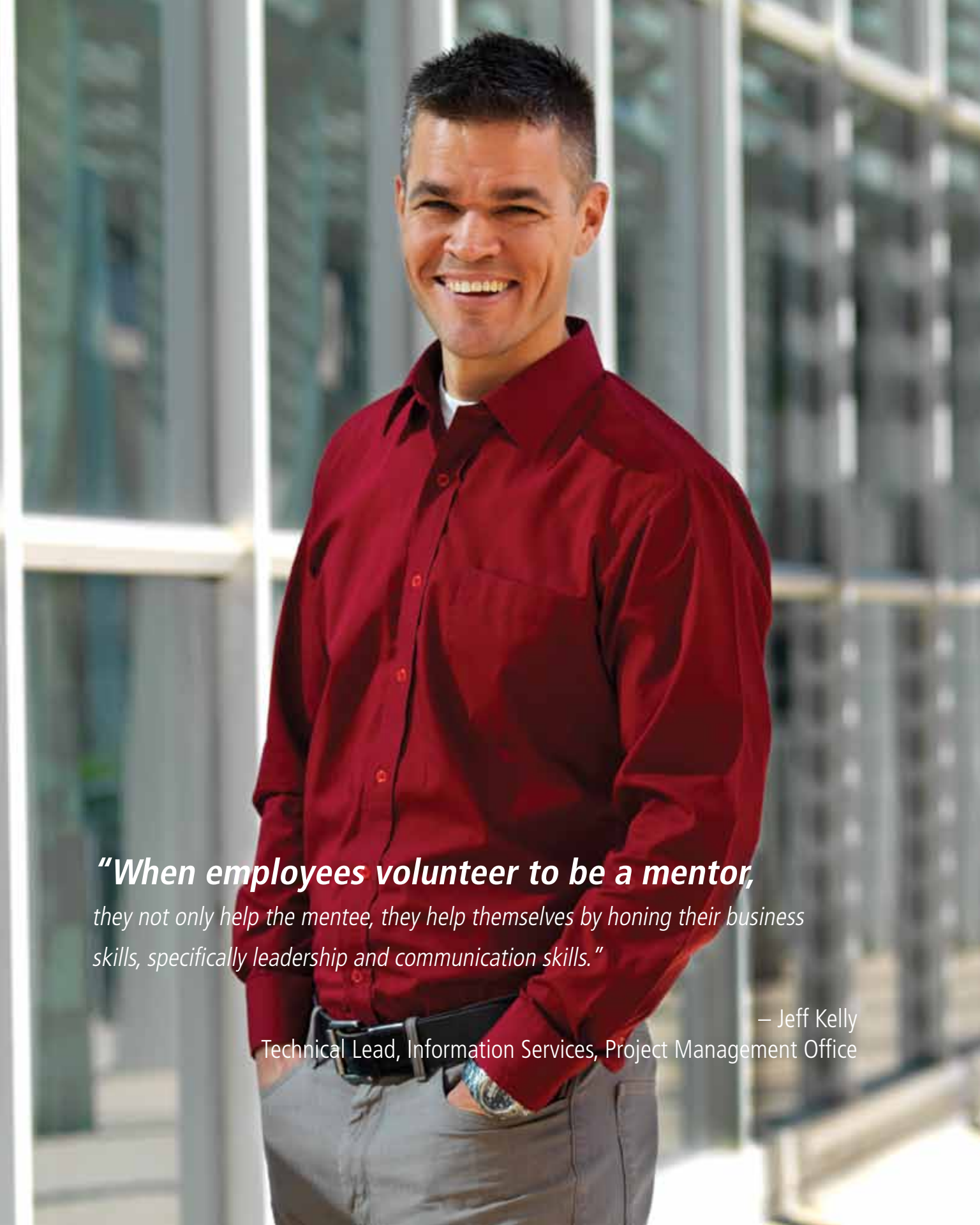
At TransCanada, we conduct our business to high standards of excellence, in compliance with all applicable regulations and in accordance with our values. We expect the same from the people and companies we do business with.

Our business relies on working with companies and individuals — from very large corporations to community-based enterprises. These relationships are critical to the success of our operations and create a positive socio-economic benefit to local communities and to North America as a whole.

TECHNOLOGY

TransCanada is at the forefront of technological innovation. It's a matter of doing business and remaining competitive in this technologically advanced field of pipelines and energy.

In 2011 we focused our research and development (R&D) activities to improve the effectiveness and efficiency of our operating and business processes. The project portfolios included pipeline material and design, pipeline construction efficiency, pipeline integrity, environmental studies and turbine/compressor performance efficiency. In addition to our internal R&D program, we also participate in a number of partnership projects with industry peers, industry associations, universities and government organizations.



“When employees volunteer to be a mentor, they not only help the mentee, they help themselves by honing their business skills, specifically leadership and communication skills.”

– Jeff Kelly
Technical Lead, Information Services, Project Management Office



This is **Our Workplace**

Jeff Kelly, technical lead in Information Services, Project Management Office, received the 2011 Employee Mentor Champion award from the Calgary Regional Immigrant Employment Council (CRIEC). The council recognized Jeff for his time commitment to building the confidence level and business skills of three individuals new to Canada, as part of that group's mentorship program.

OUR EMPLOYEES

At TransCanada, our people strategy is based on our recognition that we require highly skilled and experienced employees who can deliver results in an organization that operates in a complex business environment in Canada, the U.S. and Mexico.

We have adopted an approach to reinforce a disciplined 'peak performance' culture that includes providing clear direction, defined accountabilities, disciplined measurement and development, and rewarding and recognizing performance. The approach relies heavily on our strong leadership.



Recruitment

Our business requires top talent to meet the organization's goals. In 2011 TransCanada hired 408 new employees, bringing us to almost 4,300 employees

across our organization. This was the fourth consecutive year that we have added a significant new population to our workforce. We are attracting talent from within our industry and from industries that have transferable skills. TransCanada is committed to having the expertise required in-house to ensure execution of business deliverables and provide the new perspective and additional depth to continue to drive the company-wide value of innovation.

Work-Life Balance

Our employees want successful careers and fulfilling family lives. Currently, TransCanada has four generations in the workplace at different points in their careers, all of them striving to maintain balance in their roles as professionals, citizens, family members and friends. It is our priority to help employees achieve their professional and personal aspirations through flexible work options that encompass flexible start and stop times, part-time employment, job sharing and partial year work arrangements.

Respectful Workplace

TransCanada is committed to ensuring employees thrive in a work environment that is fair, equitable, accessible and free of harassment. A respectful work environment encourages individual and team productivity, employee wellness, employee engagement and alignment with the corporate values. Our work environment respects differences, allowing all employees to contribute fully towards our business goals.

At TransCanada, we have developed a suite of policies aimed at supporting a respectful workplace for everyone, including those we work with or do business with. This suite includes our Duty to Accommodate Policy, Harassment-Free Workplace Policy, Equal Employment Opportunity, Affirmative Action and Non-Discrimination Policy (U.S.) and Employment Equity and Non-Discrimination Policy (Canada).

DIVERSITY AND INCLUSION

Being diverse and inclusive is a hallmark of a leading organization. Tapping into a more diverse workforce is critical to addressing future labour requirements and allows us to continue to deliver business results over the long term. Recruiting diverse talents, skills, perspectives and experiences will help TransCanada grow and remain an industry leader.



TransCanada's potential sources of talent come from the following groups: other occupations and industries, new immigrants and under-represented segments of the workforce (women, Aboriginals, Native Americans, veterans, visible minorities and people with disabilities). By having a broad potential recruitment base we acknowledge and take advantage of shifting workforce demographics and lessen the impact of labour/skills shortages.

HEALTH & SAFETY

We believe that excellence in health and safety practices is vital to the well being of all people everywhere and essential to all aspects of our business. Employee and contractor safety is embedded in our core values. Safe, supportive workplace environments, procedures, training, tools and resources all work towards reducing injuries and incidents.

Our executive leadership team, management and employees are committed to being an industry leader in health and safety and environmental practices, by maintaining a safe and healthy workplace.

2011 Highlights

At TransCanada, we set industry-leading targets that provide a focus to monitor and improve our programs and continually improve our performance.

In 2011 employee personal injury frequencies declined approximately 30 per cent from the previous year and were well below our target rate and industry benchmarks. Contractor personal injury rates were also well below industry benchmarks in 2011.

Safety 24/7

Safety 24/7 is an important component of a company-wide strategy to promote health and safety on and off the job. The program has a reporting tool that can be used to share non-work related incidents.



“We work side by side with many individuals of indigenous ancestry. Our formal policies — which recognize the legal, social and economic realities of indigenous communities across Canada and the U.S.— are based upon the principles of trust, respect and responsibility.”

— Lou Thompson
Senior Native American Advisor



This is **How We Engage**

As a representative of TransCanada, Senior Native American Advisor Lou Thompson is responsible for maintaining relationships, ensuring that our Native American Relations policies are implemented and that we respect the traditional ways of Native Americans.

STAKEHOLDER ENGAGEMENT FRAMEWORK

At TransCanada, we recognize the enhanced level of engagement required with a wide variety of stakeholders in our business activities that can have a significant impact on our ability to obtain approvals for new assets and to maintain our social license to operate.

We have developed a Stakeholder Engagement Framework to facilitate alignment and collaboration of various internal teams. The cornerstone of the Framework is a Stakeholder Engagement Commitment Statement, which outlines TransCanada's promise to stakeholders and provides guiding principles that employees and contractors are expected to follow when interacting with external stakeholders.

This commitment statement is being implemented throughout the company and guides engagement with stakeholders affected by our projects and ongoing operations.

Framework in Action in the Northwest Mainline Expansion

In 2011 the National Energy Board (NEB) approved three of TransCanada's new natural gas pipeline loops in northern Alberta and British Columbia. They are part of the Northwest Mainline Expansion of TransCanada's wholly owned subsidiary, NOVA Gas Transmission Ltd. (NGTL), referred to as the Alberta System.

The NEB noted TransCanada's efforts to minimize potential environmental effects by constructing the new pipelines alongside existing pipeline rights-of-way. The regulator also acknowledged the project's positive economic effects and TransCanada's intention to provide local and Aboriginal employment, training and business opportunities.

Respect key to Community Relations Success in Mexico

In June 2011 Energia Occidente de Mexico (EOM) — TransCanada's Mexican subsidiary — began operation of the 304-kilometer Guadalajara natural gas pipeline, which crosses the states of Colima and Jalisco on Mexico's Pacific coast. Throughout the process, EOM consulted with stakeholders including landowners, government authorities and communities along the right-of-way, among others.

The team visited communities along the right-of-way, had face-to-face meetings with concerned citizens and shared fact sheets with stakeholders to illustrate how EOM and TransCanada do business. These learnings and best practices are now being considered for use during the construction of the 238-kilometre Tamazunchale Pipeline Extension.

ABORIGINAL AND NATIVE AMERICAN RELATIONS

In July of 2011 TransCanada approved the Native American Relations Policy. We believe that early engagement with Tribes enhances the opportunity for establishing long-term working relationships. We are creating and strengthening relationships with Native American Tribes by supporting cultural exchange and understanding.

TransCanada's Aboriginal Relations Policy is designed to be flexible to address the legal, social and economic realities of Aboriginal communities across Canada. Positive, sustainable Aboriginal Relations based on trust and respect, have been an integral part of TransCanada's operations for more than 30 years.

COMMUNITY INVESTMENT: RESPONSIBILITY TO OUR COMMUNITIES

TransCanada's Community Investment approach is all about building strong relationships and partnerships with community organizations. Our goal is to ensure communities are vibrant, successful and sustainable. We achieve this by focusing on wellness, safety and the environment.

In 2011 we contributed \$10.9 million directly to communities through our Community Investment programs and partnerships. Taking into account funding sources outside of TransCanada, we were able to provide the equivalent of \$14.7 million in community benefit to our non-profit partners across North America.



2011 Community Investments

By Focus Area

Employee programs	\$2,502,708 (includes United Way)
Arts & Culture	\$588,636
Civic Investment	\$987,822
Education	\$2,625,127
Emergency Services	\$746,013
Environment	\$632,295
Health & Wellness	\$837,275
Human Services	\$1,359,328
Sports & Recreation	\$671,386

By Motivation

Philanthropic	\$3,523,452
Social Investment	\$6,305,612
Commercial	\$1,121,526

ENVIRONMENT

TransCanada is vigilant about minimizing the environmental impacts of its operations while meeting its obligation to address energy demand across the continent. We endeavour to work closely with local stakeholders and government representatives to conserve important landscapes, protect species at risk and conduct leading-edge scientific research studies that will yield future benefits.

We undertake comprehensive Environmental and Socio-Economic Assessments (ESA) as required in the jurisdiction in which we are working. In essence, the ESA process includes the collection and analysis of site-specific environmental information to consider the potential effects on the biophysical environment and socio-economic elements such as:

- Wildlife, soils and vegetation, watercourse, wetlands and aquatic resources
- Land use, protected areas, historical and archaeological resources
- Air emissions and greenhouse gas emissions

Greenhouse Gas Emissions

TransCanada has had a climate change strategy for more than a decade. We continue to adapt and refine the strategy to better align with our business needs and changing operations. Climate change is a strategic business issue, as many of our facilities in Canada and the U.S. are affected by legislation limiting greenhouse gas (GHG) emissions. Our strategy is designed to manage operational efficiency which will drive GHG intensity improvements from our assets, while meeting business objectives.

Three-year GHG Emissions

Asset Group	2009	2010	2011
	Metric tonnes	Metric tonnes	Metric tonnes
Pipelines Canada	4,488,203	3,549,827	3,678,250
Pipelines U.S.	3,697,862	2,366,151	2,816,408
Power Canada	2,089,947	2,644,691	3,017,190
Power U.S.	2,269,667	2,597,318	2,491,694
Total (CO₂e)	12,545,680	11,157,987	12,003,542

Water

At TransCanada, we recognize water and water systems as a fundamental component of the ecosystems in which we conduct our operations. We address specific water-related issues through construction standards and programs and ongoing operational plans. TransCanada's business activities are not water intensive and our operations, revenue and expenditures are not materially affected by water issues.

Spills

TransCanada goes to great lengths to prevent spills. This proactive approach to spill management begins at project design — where engineering controls, processes and procedures are employed to minimize the occurrence of a spill. TransCanada has established spill response procedures that outline how to mitigate and manage inadvertent spills and releases, including the necessary health and safety precautions, spill containment, cleanup, disposal and regulatory reporting requirements.

From TransCanada's point of view, every habitat matters. Our facilities are designed with biodiversity objectives in mind. Many of our energy assets are located on pre-disturbed industrial lands. For pipelines, we seek to use existing corridors wherever possible to reduce new disturbance.

The Post Construction Reclamation Monitoring program helps to ensure that all disturbed lands resulting from pipeline construction are returned to an equivalent land capability and productivity that satisfies regulatory and landowner commitments.

2011 Reportable Commodity Spills

	U.S.	Canada	Mexico	Total
2011 reportable commodity spills				
<100L	6	41	–	47
>100L	3	1	–	4
Total	9	42	–	51

SAFETY

TransCanada's facilities and pipelines are designed, constructed and operated to minimize potential impacts to the public and the environment. We have extensive maintenance programs that ensure ongoing integrity of our assets.

Pipeline Safety

TransCanada is an industry leader in pipeline safety. Many advancements in technology were developed or first utilized on TransCanada pipelines, including high-resolution in-line inspection (ILI) tools and best practices for pipeline assessment and repair methodologies. We



Before



After

have also led the way in use of high-strength steels (QA/QC) and advancing construction practices for increased pipeline safety.

TransCanada constantly monitors all of its pipelines remotely; performs regular patrols; and is an industry leader in inspections, testing and making repairs as required.

Public Awareness

TransCanada's Public Awareness program is one of the largest stakeholder engagement programs undertaken by the company. The program focuses on protecting the public, minimizing environmental impact and protecting our facilities from third-party damage.

We connect with our key community stakeholders such as landowners, municipalities, emergency service organizations and contractors on an ongoing basis through the Public Awareness program.

The Awareness program is a coordinated approach to inform the public of the location of TransCanada facilities and activities. We engage with landowners, Aboriginal communities, public officials, excavators and emergency responders about damage prevention practices including

"One-Call", "Call Before You Dig" and leak recognition and response.

Emergency Management System

We recognize that incidents can occur that have the potential to affect the public, our facilities or the environment. TransCanada has developed a detailed Emergency Management System (EMS) that is designed to protect the health, safety and welfare of people and limit damage to property and the environment.

Every year we provide emergency response training to ensure employees understand their roles and responsibilities in the event of an emergency. We work closely with local emergency responders in our field exercises to ensure we understand each other's roles and responsibilities in the event of an emergency.

In 2011 we conducted 19 field exercises involving local authorities such as fire departments, police and ambulance services and local government officials.

A professional portrait of Marie Rajic, a woman with shoulder-length brown hair and bangs, wearing a black blazer over a black and white striped top. She is smiling and has her arms crossed. She is wearing gold hoop earrings, a watch, and a bracelet. The background is a blurred office interior with glass railings.

“Keystone XL represents a test of our values — responsibility, integrity, innovation, collaboration — and stands as testament that we live our values even in the toughest situations.”

— Marie Rajic
Manager, Corporate Social Responsibility



Our Values in Action

Marie Rajic, Manager, Corporate Social Responsibility, spent several months in the U.S. working with government and community stakeholders during the Keystone XL process.



THE VALUE OF KEYSTONE XL

TransCanada is fully committed to the construction of the 1,897-kilometre (1,179-mile) Keystone XL Pipeline from Hardisty, Alberta, to Steele City, Nebraska. We anticipate approval of the Presidential Permit application — which is required because the pipeline will cross the Canada/ U.S. border — in the first quarter of 2013, after which construction will quickly begin.

TransCanada continues to believe that the construction of Keystone XL is in the national interests of both Canada and the U.S. We also believe in the value of Keystone XL due to the overwhelming support the project has received from American and Canadian producers and U.S. refiners who signed long-term contracts to ship over hundreds of thousands of barrels of oil per day to meet the needs of American consumers.

Our People

In 2011 we worked in collaboration with all of our stakeholders — among them landowners, unions, Aboriginals and Native Americans, all levels of government

and right-of-way communities — to ensure transparent communications and to solicit public input.

We recognized the critical importance of speaking to stakeholders; and well before the operation began we started building relationships based on credibility and trust. To that end, we conducted approximately 90 open houses during extensive consultation and community outreach activities generating volumes of research and involving a number of federal and state agencies.

Communications

The Keystone XL project prompted TransCanada to recognize the benefits of collaboration between key internal groups — Stakeholder Relations, Government Relations, Communications, Community Relations and Aboriginal and Native American Relations. Together, we developed a strategic approach to provide timely and accurate information.

TransCanada executive and staff were always available to speak on the issues, returning reporters' calls and emails



within 24 hours. We have given more than 2,700 interviews and about 10,000 stories have been written in the media about Keystone XL.

Anticipated Developments in 2012 and Beyond

Keystone XL is shovel-ready and set to proceed as soon as TransCanada receives the green light to move the project forward. Pipe and equipment have been ordered. The majority of it is waiting along the right-of-way and is ready to go in the ground; and TransCanada is in the process of signing construction contracts.

Keystone XL will support the creation of 13,000 construction and 7,000 manufacturing jobs.

TransCanada remains committed to working with shippers, Nebraskans and the U.S. State Department to get approval as quickly as possible and to get construction underway. We anticipate an in-service date of late 2014 or early 2015.

A detailed Keystone timeline is available in our online 2011 Corporate Responsibility Report.

Keystone Capacity

Base Keystone is capable of moving close to 600,000 barrels a day to the U.S. Midwest — about 530,000 barrels a day of that capacity is spoken for and contracted for an average term of 18 years. Keystone's overall capacity is approximately 1.4 million barrels per day and our customers will have direct access to refineries in the U.S. Midwest, Cushing and the Gulf Coast. Today we have approximately 975,000 barrels a day contracted for an average term of about 17 years on the overall project.



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