UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 40-F

[Check one]

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended: December 31, 2024 **Commission File Number: 001-42021**

SOUTH BOW CORPORATION

(Exact name of Registrant as specified in its charter)

Not applicable
(Translation of Registrant's name into English (if applicable)

Canada
(Province or other jurisdiction of incorporation or organization)

4612	**N/A**
(Primary Standard Industrial Classification Code Number (if applicable))	**(I.R.S. Employer Identification Number (if applicable))**

707 5th Street SW
Calgary, Alberta, Canada, T2P 1V8
(855) 699-8437
(Address and telephone number of Registrant's principal executive offices)

South Bow USA Services Inc.
920 Memorial City Way , Suite 800
Houston, Texas, 77024
(832) 389-8831
(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Trading symbol	Name of each exchange on which registered
Common shares (including common share purchase rights)	**SOBO**	**New York Stock Exchange**

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None
(Title of Class)

For annual reports indicate by check mark the information filed with this Form:

☒ **Annual information form** ☒ **Audited annual financial statements**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

208,041,109 common shares outstanding as of December 31, 2024

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 12b-2 of the Exchange Act. Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. ☐

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

The document (or portions thereof) forming part of this Form 40-F is incorporated by reference into the following registration statement under the Securities Act of 1933, as amended:

Form	Registration No.
S-8	333-282631

EXPLANATORY NOTE

South Bow Corporation is a "foreign private issuer" as defined in Rule 3b-4 under Securities Exchange Act of 1934, as amended (the "Exchange Act"), and is a Canadian issuer eligible to file its Annual Report pursuant to Section 13 of the Exchange Act on Form 40-F (this "Annual Report") pursuant to the multi-jurisdictional disclosure system (the "MJDS") adopted by the United States Securities and Exchange Commission (the "SEC" or the "Commission").

The Company's common shares are listed in the United States on the New York Stock Exchange ("NYSE") under the trading symbol "SOBO" and in Canada on the Toronto Stock Exchange under the trading symbol "SOBO".

In this Annual Report, references to "we," "our," "us," the "Registrant," the "Company," or "South Bow," mean South Bow Corporation unless the context suggests otherwise.

FORWARD-LOOKING INFORMATION

Certain statements in this Annual Report, and the documents incorporated by reference herein, constitute "forward-looking information" or "forward-looking statements" (collectively, "forward-looking information") within the meaning of the applicable securities legislation. Often, but not always, forward-looking information use words or phrases such as: "advancing", "anticipate", "believe", "committed", "continue", "ensure", "estimate", "expect", "focus", "future", "goal", "guidance", "implement", "intend", "likely", "objective", "opportunity", "plan", "potential", "seek", "strategy", "target" or state that certain actions, events or results "may", "can", "could", "would", "might", "should", "will", "regularly" or "from time to time" be taken, occur or be achieved. Such forward-looking information, include, but are not limited to, statements included or incorporated by reference, South Bow's growth strategy and properties, the Company's anticipated business plans, opportunities, objectives, strategies and production.

In particular, forward-looking statements in this Annual Report include information, including certain financial outlooks, about the following, among other things South Bow's financial and operational performance; expectations about strategies and goals for growth and expansion and the methods South Bow expects to employ to implement such strategies; South Bow's financial outlook for 2025 and beyond, including 2025 normalized EBITDA, 2025 interest expenses, 2025 distributable cash flow and 2025 capital expenditures; expected dividends and other returns to shareholders; expected cash flows and future financing options available, including portfolio management; expectations regarding the size, timing, conditions and outcome of ongoing and future transactions; expected access to and cost of capital; expected costs and schedules for planned projects, including projects under construction such as the Blackrod Connection project, as well as the benefits and timing thereof; expected capital expenditures, contractual obligations, commitments and contingent liabilities, including environmental remediation costs; the outcomes and effectiveness of the Company's disclosure controls and procedures and ICFR; expected regulatory processes and outcomes; expected outcomes with respect to legal proceedings, including arbitration and insurance claims; the expected impact of future legal and accounting changes, including the potential impacts of tariffs; expected industry, market and economic conditions, including their impact on us and on our customers and suppliers; the future prospects and growth opportunities of South Bow, including the timing thereof and their expected impact on South Bow; the programs and policies of South Bow, including the systems used to implement such policies and the effectiveness thereof; South Bow's dividend policy, including the declaration or payment of future dividends and the sustainability thereof; the business environment in which South Bow operates, including expected crude oil supply and demand levels and the sources thereof; South Bow's competitive position and business prospects; expected earnings and future cash flows of South Bow, including the stability and sufficiency thereof; factors affecting South Bow's financial results; treatment under current and future regulatory regimes, including those relating to taxes, tariffs and the environment; the timing and outcome of court and regulatory filings, proceedings and decisions, as well as their impact on South Bow; expectations regarding South Bow's pipeline integrity spending; expected sources of environmental risks; South Bow's contract profile; and South Bow's intentions with respect to future issuances of first preferred shares of South Bow and second preferred shares of South Bow.

This forward-looking information reflects South Bow's beliefs and assumptions based on information available to South Bow at the time the statements were made and, as such, is not a guarantee of future performance. By its nature, forward-looking information is subject to various assumptions, risks and uncertainties which could cause actual results and achievements to differ materially from the anticipated results or expectations expressed or implied in such forward-looking information. These assumptions, risks and uncertainties include, but are not limited to: realization of expected benefits from acquisitions, divestitures and energy transition; South Bow's ability to successfully implement its strategic priorities, and whether they will yield the expected benefits; South Bow's ability to implement a capital allocation strategy aligned with maximizing shareholder value; the operating performance and integrity of South Bow's assets; the amount of capacity sold and the tolls and rates achieved; the supply and demand for crude oil; energy industry exploration and development activities and production levels within supply basins; South Bow's reputation with key stakeholders; the performance of key officers, employees and consultants; South Bow maintaining its status as a foreign private issuer and its current credit ratings; construction and completion of capital projects in a manner consistent with management's expectations; cost, availability of and inflationary pressures on labour, equipment and materials; the availability and market prices of commodities; access to capital markets on competitive terms; interest, tax and foreign exchange rates; performance and credit risk of South Bow's counterparties; regulatory decisions and outcomes of legal proceedings, including arbitration and insurance claims; outcomes related to the Milepost 14 incident and certain existing variable toll disputes on the Keystone system; performance by TC Energy, South Bow, South Bow Pipelines Ltd., as applicable, and the other parties thereto, of their respective obligations under the Separation Agreement and the Transition Services Agreement; South Bow's ability to effectively anticipate and assess changes to government policies and regulations, including those related to tariffs, trade and the environment; competition in the businesses in which South Bow operates; unexpected or unusual weather; acts of civil disobedience; cyber security and technological developments; sustainability-related risks; the impact of the energy transition on South Bow's business and results of operations; economic conditions in North America as well as globally; global health crises, such as pandemics and epidemics and the impacts related thereto; and other risks, uncertainties and factors, many of which are beyond the control of South Bow, and some of which are discussed in the section entitled "Risk Factors" in South Bow's Annual Information Form for the year ended December 31, 2024, which is available on the Company's profile on SEDAR+ at http://www.sedarplus.ca and in its filings with the SEC at http://www.sec.gov.

Although South Bow has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information or statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information or statements. The Company has and continues to disclose in its other publicly filed documents, changes to material factors or assumptions underlying the forward-looking information and to the validity of the information, in the period the changes occur. The forward-looking information is made as of the date hereof and South Bow disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking information contained herein to reflect future results, unless so required by Canadian securities laws. Accordingly, readers should not place undue reliance on forward-looking information.

PRINCIPAL DOCUMENTS

The following documents have been filed as part of this Annual Report:

A. Annual Information Form

The Registrant's Annual Information Form for the fiscal year ended December 31, 2024 (the "Annual Information Form") is attached as Exhibit 99.1 to this Annual Report, and is incorporated by reference herein.

B. Audited Annual Financial Statements

The Registrant's consolidated audited annual financial statements, including the report of the independent registered public accounting firm with respect thereto, are attached as Exhibit 99.2 to this Annual Report and is incorporated by reference herein.

C. Management's Discussion and Analysis

The Registrant's management's discussion and analysis of financial condition and results of operations for the year ended December 31, 2024 (the "MD&A") is attached as Exhibit 99.3 to this Annual Report and is incorporated by reference herein.

TAX MATTERS

Purchasing, holding or disposing of securities of the Registrant may have tax consequences under the laws of the United States and Canada that are not described in this Annual Report.

DISCLOSURE CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures. Under the supervision and with the participation of Management, including the President and CEO and Senior Vice-President and Chief Financial Officer, the Company carried out quarterly evaluations of the effectiveness of its disclosure controls and procedures, including for the year ended December 31, 2024, as required by the Canadian securities regulatory authorities and by the SEC. Based on this evaluation, Management has concluded that South Bow's disclosure controls and procedures were appropriately designed to ensure that information required to be disclosed by the Company in the reports filed or submitted under the Securities Exchange Act of 1934 and National Instrument 52-109 is reported in line with applicable rules and forms.

Management's Annual Report on Internal Control Over Financial Reporting. Management is responsible for establishing and maintaining adequate internal control over financial ("ICFR") reporting, as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934 and National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings. ICFR is a process designed by, or under the supervision of, the Company's principal executive and principal financial officers, and effected by the Board, Management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes, in accordance with GAAP.

As a newly listed public company, South Bow has deferred the requirement to provide an auditor's attestation report on the effectiveness of its ICFR until the Company's annual report for the year ended December 31, 2025. During this exemption period, Management is focused on developing and refining South Bow's internal controls to ensure they are robust and effective in preventing and detecting material misstatements of financial information and results.

South Bow recognizes the importance of strong internal controls and is committed to continuously improving processes to ensure the integrity of the Company's financial reporting. Management, with the oversight of the Audit Committee, will continue to monitor and evaluate the effectiveness of internal controls and make necessary adjustments to enhance the Company's financial reporting framework.

ATTESTATION REPORT OF THE REGISTERED PUBLIC ACCOUNTING FIRM

This Annual Report does not include an attestation report of the Company's registered public accounting firm due to a transition period established by rules of the SEC for newly public companies.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

Not applicable.

AUDIT COMMITTEE FINANCIAL EXPERT

The Registrant's Board of Directors has determined that it has at least one audit committee financial expert serving on its Audit committee. Shannon Ryhorchuk has been designated as an audit committee financial expert and is independent, as that term is defined by the NYSE's listing standards applicable to the Registrant. The Commission has indicated that the designation of Shannon Ryhorchuk as an audit committee financial expert does not make Shannon Ryhorchuk an "expert" for any purpose, impose any duties, obligations or liability on Shannon Ryhorchuk that is greater than those imposed on members of the Audit committee and Board of Directors who do not carry this designation or affect the duties, obligations or liability of any other member of the Audit committee.

CODE OF ETHICS

The Registrant has adopted a code of business ethics ("Code") that applies to all employees, directors, officers and contingent workforce contractors of the Registrant and its wholly-owned subsidiaries and/or operated entities in all countries in which the Registrant conducts business.

The Registrants' Code is available on South Bow's website at https://www.southbow.com/ and any person can obtain the Code without charge upon request from Investor Relations at investor.relations@southbow.com. No waivers have been granted from any provision of the Code during the 2024 fiscal year.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

Our independent registered public accounting firm is KPMG LLP, Calgary, AB, Canada, Auditor Firm ID: 85. For information on principal accountant fees and services, see "Audit Fees" on page 36 of the South Bow Corporation 2024 Annual Information Form.

OFF-BALANCE SHEET ARRANGEMENTS

For information on off-balance sheet arrangements, see "Off-balance Sheet Arrangements" on page 14 of the MD&A.

DISCLOSURE OF CONTRACTUAL OBLIGATIONS

For information on disclosure of contractual obligations, see "Contractual Obligations" on page 14 of the MD&A.

IDENTIFICATION OF THE AUDIT COMMITTEE

The Registrant has a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Exchange Act and satisfies the requirements of Exchange Act Rule 10A-3. The members of the audit committee are: Shannon Ryhorchuk (Chair), Chansoo Joung, George Lewis and Frances M. Vallejo.

MINE SAFETY DISCLOSURE

Not applicable.

DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not Applicable.

NEW YORK STOCK EXCHANGE CORPORATE GOVERNANCE RULES

A comparison of NYSE Corporate Governance Rules required to be followed by U.S. Domestic Issuers under the NYSE's listing standards and the Corporate Governance practices of the Company (disclosure required by section 303A.11 of the NYSE Listed Company Manual) is available on the About – Governance section of the Registrant's website at https://www.southbow.com/.

UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

A. Undertaking

The Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

B. Consent to Service of Process

The Registrant has previously filed with the SEC a written consent to service of process and power of attorney on Form F-X. Any change to the name or address of the agent for service of process of the Registrant shall be communicated promptly to the Commission by an amendment to the Form F-X referencing the file number of the relevant registration statement.

DOCUMENTS FILED AS PART OF THIS REPORT

The following documents have been filed as part of this Registration Statement on Form 40-F as Exhibits hereto:

Exhibits	Documents
97.1	South Bow Corporation's Incentive Compensation Recoupment and Holdback Policy.
99.1	South Bow Corporation Annual Information Form for the fiscal year ended December 31, 2024.
99.2	Audited Consolidated Financial Statements of South Bow Corporation for the fiscal year ended December 31, 2024.
99.3	Management's Discussion and Analysis of South Bow Corporation for the year ended December 31, 2024.
99.4	Consent of KPMG LLP, Charted Professional Accountants, Independent Registered Public Accounting Firm.
99.5	Certification of Chief Executive Officer regarding Periodic Report containing Financial Statements.
99.6	Certification of Chief Financial Officer regarding Periodic Report containing Financial Statements.
99.7	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.8	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.9	South Bow Corporation's Code of Business Ethics Policy.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized, in the City of Calgary, Province of Alberta, Canada.

SOUTH BOW CORPORATION

By: /s/ Lori M. Muratta

Name: Lori M. Muratta
Title: Senior Vice-President and General Counsel

Date: March 5, 2025

Incentive Compensation Recoupment and Holdback Policy.

Purpose and scope

The purpose of this Policy is to provide direction for the process of recouping Erroneously Awarded Compensation in order to satisfy the requirements of the NYSE Listing Standards and Rule 10D-1 as adopted by the U.S. SEC to implement Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

This Policy will operate in addition to any legal requirements that may apply to the Company and its Employees, officers and directors. This Policy is in addition to any other action or remedy available to the Company against such individuals under applicable law, policy or contract, up to and including termination of employment and/or legal action for breach of fiduciary duty or fraud.

This Policy applies to all Covered Executives of South Bow Corporation and their beneficiaries, heirs, executors, administrators or other legal representatives.

Policy

1 Recoupment event

1.1 If South Bow Corporation is required to prepare a Restatement, then, as determined by the Human Resources Committee, the Covered Executive's Incentive-Based Compensation will be subject to forfeiture, recovery and recoupment, subject to the following:

a) This Policy applies to Incentive-Based Compensation received by a Covered Executive: (i) on or after the Effective Date, (ii) after beginning services as a Covered Executive, and any subsequent changes in a Covered Executive's employment status, including retirement or termination of employment, do not affect the Company's rights to recoup Erroneously Awarded Compensation pursuant to this Policy, and (iii) if the Covered Executive served as a Covered Executive at any time during the performance period for such Incentive-Based Compensation.

b) The amount to be forfeited or recouped will equal the Erroneously Awarded Compensation. The Human Resources Committee will take actions necessary to recoup the Erroneously Awarded Compensation reasonably promptly following a Restatement. Where the amount of Erroneously Awarded Compensation is not subject to

mathematical recalculation directly from the information in the Restatement, the amount must be based on a reasonable estimate of the effect of the Restatement on stock price or total shareholder return upon which the Incentive-Based Compensation was received. The Company will maintain documentation of the determination of that reasonable estimate and provide such documentation to the New York Stock Exchange (NYSE). The amount of the Erroneously Awarded Compensation must not be reduced based on, or otherwise calculated with regard to, any taxes paid by the Covered Executive with respect to such amounts.

c) This Policy must only apply to Incentive-Based Compensation that was received during the Applicable Period and that was received (or would have been settled in the absence of an elective deferral of payment by the individual) while South Bow Corporation has a class of securities listed on a U.S. national securities exchange or a national securities association. For purposes of this Policy, Incentive-Based Compensation is deemed received in the fiscal period during which the Financial Reporting Measure(s) specified in the applicable Incentive-Based Compensation is attained, even if the payment or grant of the Incentive-Based Compensation occurs after the end of such fiscal period.

1.2 In the event of a recoupment of Erroneously Awarded Compensation from a Covered Executive, the Human Resources Committee may also seek reimbursement of all reasonable costs, including legal fees, incurred in connection with the recoupment of the Erroneously Awarded Compensation from such Covered Executive.

2 Impracticability

2.1 The Company must recoup any Erroneously Awarded Compensation unless the conditions set forth in the following clauses (a), (b) or (c) are met and such recoupment would be impracticable, as determined by the Human Resources Committee in accordance with Rule 10D-1 and the NYSE Listing Standards. No recoupment will be required if:

a) the direct expense paid to a third party to assist in enforcing this Policy would exceed the amount to be recouped, provided that before concluding that it would be impractical to recoup any amount of Erroneously Awarded Compensation based on this clause (a), the Company must make a reasonable attempt to recoup such Erroneously Awarded Compensation, document such reasonable attempt(s) and provide such documentation to the NYSE;

b) recoupment would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to Employees of the Company, to fail to meet the applicable requirements of the U.S. Internal Revenue Code, or any successor provision thereof; or

c) recoupment would violate home country law where that law was adopted prior to November 28, 2022, provided that before concluding that it would be impractical to recoup any amount of Erroneously Awarded Compensation based on this clause (c), the Company must obtain an opinion of home country legal counsel, acceptable to the

NYSE, that recoupment would result in such violation, and must provide such opinion to the NYSE.

3 No indemnification

3.1 The Company must not indemnify any current or former Covered Executive against the loss of Erroneously Awarded Compensation, and must not pay, or reimburse any Covered Executives for premiums, for any insurance policy to fund such Covered Executive's potential repayment obligations.

4 Other recoupment rights

4.1 The Human Resources Committee may require that any employment agreement, equity award agreement, or similar agreement entered into, amended or restated on or after the Effective Date must, as a condition to the grant of any benefit thereunder, require a Covered Executive to agree to abide by the terms of this Policy and the application of this Policy to any award made prior to the Effective Date.

5 Notification requirements

5.1 In the event of a Restatement or potential Restatement, the Financial Reporting department must notify the Corporate Secretarial Legal department and the Human Resources department as soon as reasonably possible.

6 Effective Date

6.1 This Policy is effective as of the Effective Date.

6.2 To the extent there are any inconsistencies, as of the Effective Date, this Policy supersedes all prior contracts, agreements and understandings, written or oral, with any Covered Executive. In the event any contract, agreement or understanding with any Covered Executive is inconsistent with the terms of this Policy, the terms of this Policy will govern.

6.3 The terms of this Policy must apply to any Incentive-Based Compensation that is received by a Covered Executive on or after the Effective Date, even if such Incentive-Based Compensation was approved, awarded, granted or paid to the Covered Executive prior to the Effective Date. Subject to applicable law, the Human Resources Committee may effect forfeiture or recoupment under this Policy from any amount of compensation approved, awarded, granted, payable or paid to the Covered Executive prior to, on or after the Effective Date.

Your responsibility

Employees must follow all applicable provisions and the spirit and intent of this corporate governance document and support others in doing so. Employees must promptly report any suspected or actual violation of this corporate governance document through available channels so that South Bow can investigate and address it appropriately. Employees who violate this corporate governance document or knowingly permit others under their supervision to violate

it, may be subject to appropriate corrective action, up to and including termination of employment or contract, as applicable, in accordance with the Company's corporate governance documents, employment practices, contracts, collective bargaining agreements and processes.

Interpretation and administration

The Company has sole discretion to interpret, administer and apply this corporate governance document and to change it at any time to address new or changed legal requirements or business circumstances.

Non-retaliation

South Bow supports and encourages Employees to report suspected violations of corporate governance documents, applicable laws, regulations, and authorizations, as well as hazards, potential hazards, incidents involving health and safety or the environment, and near hits. Such reports can be made through available channels. South Bow takes every report seriously and investigates it to identify facts and, when warranted, makes improvements to our corporate governance documents and practices. All Employees making reports in good faith will be protected from retaliation, and all Employees must report if they or someone they know is being or has been retaliated against for reporting. Good Faith Reporting will not protect Employees who make intentionally false or malicious reports, or who seek to exempt their own negligence or willful misconduct by the act of making a report.

Definitions

Applicable Period means the three completed fiscal years prior to the earlier of:

- the date South Bow Corporation's Board of Directors, a committee of the Board of Directors, or officer(s) authorized to take such action if action by the Board of Directors is not required, concludes, or reasonably should have concluded, that South Bow Corporation is required to prepare a Restatement; or
- the date a court, regulator, or other legally authorized body directs South Bow Corporation to prepare a Restatement.

In addition to the last three completed fiscal years described in the preceding sentence, the Applicable Period includes any transition period (that results from a change in South Bow Corporation's fiscal year) within or immediately following those three completed fiscal years; provided, however, a transition period between the last day of South Bow Corporation's previous fiscal year end and the first day of its new fiscal year that comprises a period of nine to 12 months would be deemed a completed fiscal year for purposes of the Applicable Period.

Covered Executive means all of South Bow Corporation's current and former executive officers, as determined by the Human Resources Committee, in accordance with the Listing Standards and Rule 10D-1 and the definition of executive officer as defined in Rule 10D-1(d).

Effective Date means October 1, 2024.

Employee means full-time, part-time, temporary and student employees of the Company.

Erroneously-Awarded Compensation means the amount of Incentive-Based Compensation received by a Covered Executive that exceeds the amount of Incentive-Based Compensation that otherwise would have been received had it been determined based on the Restatements.

Exchange Act means the U.S. Securities Exchange Act of 1934, as amended.

Financial Reporting Measures means measures that are determined and presented in accordance with the accounting principles used in preparing South Bow Corporation's financial statements, and any measures that are derived wholly or in part from such measures, including stock price and total shareholder return.

Good Faith Reporting means an open, honest, fair and reasonable report without malice or ulterior motive.

Human Resources Committee means the Human Resources Committee of the South Bow Corporation Board of Directors.

Incentive-Based Compensation means all compensation, such as cash bonuses or other cash incentive awards (including any deferred element thereof), and vested and unvested equity awards (including options, restricted stock and restricted stock units, performance stock unit awards and performance stock awards) from the Company that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure. For the avoidance of doubt, Incentive-Based Compensation does not include annual salary, compensation awarded based on completion of a specified period of service, or compensation awarded based on subjective standards, strategic measures, or operational measures, unless also based on attainment of a Financial Reporting Measure.

NYSE Listing Standards means Section 303A.14 of the New York Stock Exchange Listed Company Manual.

Restatement means an accounting restatement of South Bow Corporation's financial statements due to material noncompliance with any financial reporting requirement under the U.S. federal securities laws, including any required accounting Restatement to correct an error in previously

issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.

Rule 10D-1 means Rule 10D-1 promulgated under the Exchange Act.

South Bow or the **Company** means South Bow Corporation and its wholly-owned subsidiaries and operated entities.

U.S. SEC means the United States Securities and Exchange Commission.

References

Related corporate governance and supporting documents

- Code of Business Ethics Policy

Other references

- Dodd-Frank Wall Street Reform
- NYSE Listing Standards
- U.S. Internal Revenue Code
- U.S SEC

How to contact us

- Policy Questions and Comments

South Bow's reporting channels

- Ethics Helpline
- Corporate Compliance
- Human Resources
- Legal department
- Compliance Coordinators

Exhibit 99.1



SOUTHBOW

ANNUAL INFORMATION FORM

For the Year Ended December 31, 2024

March 5, 2025

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PRESENTATION OF INFORMATION

Throughout this Annual Information Form ("AIF"), the terms the "Company" and "South Bow" mean South Bow Corporation and its subsidiaries. Effective October 1, 2024, South Bow completed its spinoff from TC Energy Corporation ("TC Energy") by way of plan of arrangement ("Plan of Arrangement") and began operating as an independent, publicly traded entity (the "Spinoff"). South Bow is an energy infrastructure company that owns and operates critical liquids pipelines and facilities extending across Canada and the U.S., safely and reliably connecting robust crude oil supplies to key refining and demand markets in the U.S. Midwest and Gulf Coast.

Unless otherwise noted, the information contained in this AIF is given as of December 31, 2024. Amounts are expressed in U.S. dollars, unless otherwise indicated. The *Glossary* found at the end of this AIF contains certain terms defined throughout this AIF and abbreviations and acronyms that may not otherwise be defined in this AIF.

Certain portions of South Bow's management's discussion and analysis dated March 5, 2025 ("MD&A") are incorporated by reference into this AIF as stated below and elsewhere in this AIF. The MD&A can be found on South Bow's website at www.southbow.com, on SEDAR+ at www.sedarplus.ca, and filed with the U.S. Securities and Exchange Commission ("SEC") at www.sec.gov.

Unless otherwise indicated, all financial information has been prepared in accordance with U.S. generally accepted accounting principles ("GAAP").

FORWARD-LOOKING INFORMATION

This AIF, including the MD&A disclosure incorporated by reference herein, includes forward-looking information or forward-looking statements (collectively, "forward-looking information") within the meaning of applicable Canadian securities laws and applicable U.S. securities laws. The words "anticipate," "expect," "believe," "may," "will," "should," "estimate," "project," "outlook," "forecast," "intend," "target," "plan" or other similar words are often used to identify such forward-looking information. Forward-looking information and future-oriented financial information in this AIF are intended to provide South Bow security holders and potential investors with information regarding South Bow, including their respective future plans and financial outlook.

Forward-looking information in this AIF includes, but is not limited to, statements regarding:

- South Bow's future objectives and strategies and the methods it expects to employ to achieve those objectives and to implement such strategies and the outcomes thereof;
- expectations with respect to the development, costs, schedules and outcomes for planned projects, including those relating to the Blackrod Connection Project (defined below);
- the future prospects and growth opportunities of South Bow, including the timing thereof and their expected impact on South Bow;
- the programs and policies of South Bow, including the systems used to implement such policies and the effectiveness thereof;
- South Bow's dividend policy, including the declaration or payment of future dividends and the sustainability thereof;
- the business environment in which South Bow operates, including expected crude oil supply and demand levels and the sources thereof generally, and in relation to the WCSB (as defined herein);
- expected industry, market and economic conditions, including their expected impact on South Bow and on its customers and suppliers;
- South Bow's competitive position and business prospects;
- expected earnings and future cash flows of South Bow, including the stability and sufficiency thereof;

- factors affecting South Bow's financial results;
- treatment under current and future regulatory regimes, including those relating to taxes, tariffs and the environment;
- the timing and outcome of court and regulatory filings, proceedings and decisions, as well as their impact on South Bow;
- expectations regarding South Bow's pipeline integrity spending;
- expected sources of environmental risks;
- South Bow's contract profile; and
- South Bow's intentions with respect to future issuances of first preferred shares of South Bow and second preferred shares of South Bow.

This forward-looking information reflects South Bow's beliefs and assumptions based on information available to South Bow at the time the statements were made and, as such, is not a guarantee of future performance. By its nature, forward-looking information is subject to various assumptions, risks and uncertainties which could cause actual results and achievements to differ materially from the anticipated results or expectations expressed or implied in such forward-looking information. These assumptions, risks and uncertainties include, but are not limited to:

- realization of expected benefits from acquisitions, divestitures and energy transition;
- South Bow's ability to successfully implement its strategic priorities, and whether they will yield the expected benefits;
- South Bow's ability to implement a capital allocation strategy aligned with maximizing shareholder value;
- the operating performance and integrity of South Bow's assets;
- the amount of capacity sold and the tolls and rates achieved;
- the supply and demand for crude oil;
- energy industry exploration and development activities and production levels within supply basins;
- South Bow's reputation with key stakeholders;
- the performance of key officers, employees and consultants;
- South Bow maintaining its status as a foreign private issuer and its current credit ratings;
- construction and completion of capital projects in a manner consistent with management's expectations;
- cost, availability of and inflationary pressures on labour, equipment and materials;
- the availability and market prices of commodities;
- access to capital markets on competitive terms;
- interest, tax and foreign exchange rates;
- performance and credit risk of South Bow's counterparties;
- regulatory decisions and outcomes of legal proceedings, including arbitration and insurance claims;
- outcomes related to the Milepost 14 incident (defined below) and certain existing variable toll disputes on Keystone (defined below);

- performance by TC Energy, South Bow, South Bow Pipelines Ltd., as applicable, and the other parties thereto, of their respective obligations under the Separation Agreement (defined below) and the Transition Services Agreement (defined below);
- South Bow's ability to effectively anticipate and assess changes to government policies and regulations, including those related to tariffs, trade and the environment;
- competition in the businesses in which South Bow operates;
- unexpected or unusual weather;
- acts of civil disobedience;
- cyber security and technological developments;
- sustainability-related risks;
- the impact of the energy transition on South Bow's business and results of operations;
- economic conditions in North America as well as globally;
- global health crises, such as pandemics and epidemics and the impacts related thereto; and
- other risks, uncertainties and factors, many of which are beyond the control of South Bow, and some of which are discussed under *Risk Factors* in this AIF.

You can read more about these factors and others in the MD&A and in other reports we have filed with Canadian securities regulators and the SEC. As actual results could vary significantly from the forward-looking information, you should not put undue reliance on forward-looking information. South Bow does not update its forward-looking statements due to new information or future events, unless it is required to by law.

NON-GAAP MEASURES

This AIF references certain non-GAAP financial measures and non-GAAP ratios which do not have any standardized meaning as prescribed by GAAP and therefore may not be comparable to similar measures presented by other entities. These non-GAAP measures include or exclude adjustments to the composition of the most directly comparable GAAP measures. South Bow considers these non-GAAP financial measures and non-GAAP ratios to be important in evaluating and understanding the operating performance and liquidity of South Bow. These non-GAAP measures should not be considered in isolation or as a substitute for financial information presented in accordance with GAAP.

South Bow's non-GAAP financial measures and non-GAAP ratios include normalized EBITDA, normalized net income, normalized net income per share, distributable cash flow, net debt, and net debt-to-normalized EBITDA. These measures and ratios are further described with a reconciliation to their most directly comparable GAAP measure in the *"Non-GAAP Financial Measures"* section of the MD&A, which is incorporated by reference into this AIF and can be found on South Bow's website at www.southbow.com, on SEDAR+ at www.sedarplus.ca, and filed with the SEC at www.sec.gov.

MARKET DATA AND INDUSTRY DATA

This AIF contains statistical data, market research, and industry forecasts that were obtained from third-party sources, industry publications, and publicly available information. South Bow believes that the market and industry data presented throughout this AIF are accurate and, with respect to data prepared by South Bow or on its behalf, that its estimates and assumptions are reasonable; however, there can be no assurance as to the accuracy or completeness thereof. The accuracy and completeness of the market and industry data presented throughout this AIF is not guaranteed and South Bow makes no representation as to the accuracy of such information. Although South Bow believes it to be reliable, it has not independently verified any of the data from third-party sources referred to in this AIF, or analyzed or verified the underlying studies or surveys relied upon or referred to by such sources, or ascertained the underlying economic and other assumptions relied upon by such sources or makes any representation as to the accuracy of such data. Actual outcomes may vary materially from those forecast in such reports or publications, and the prospect for material variation can be expected to increase as the length of the forecast period increases. Market and industry data are subject to variations and cannot be verified due to limits on the availability and reliability of data inputs, the voluntary nature of the data gathering process, and other limitations and uncertainties inherent in any statistical survey.

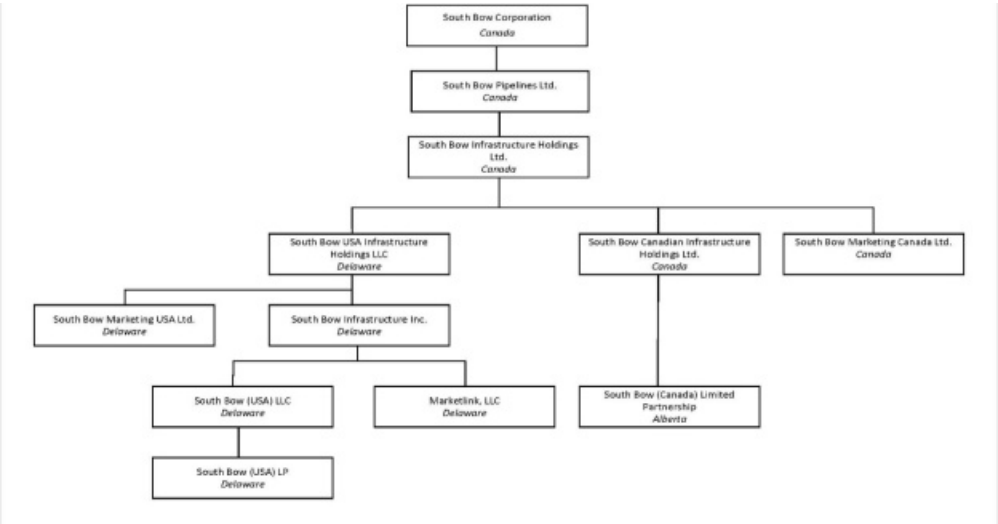
CORPORATE STRUCTURE

Incorporation

South Bow Corporation was incorporated on December 15, 2023 under the *Canada Business Corporations Act* ("CBCA") in order to carry out the Spinoff. South Bow did not carry on any active business prior to the completion of the Spinoff and, at all times prior to the completion of the Spinoff, South Bow did not have any assets or liabilities, did not conduct operations, and did not issue any shares. South Bow's head and registered office is currently located at 707 – 5 Street S.W., Calgary, Alberta, Canada, T2P 1V8. On October 1, 2024, following completion of the Spinoff, South Bow restated its articles of incorporation and by-laws to reflect the amendments thereto contemplated in the Plan of Arrangement.

Inter-corporate Relationships

The following diagram presents the name and jurisdiction of incorporation, continuance or formation of the principal subsidiaries of South Bow. Each of the subsidiaries shown have total assets that exceed 10 per cent of the consolidated assets of South Bow or revenues that exceed 10 per cent of the consolidated revenues of South Bow. South Bow beneficially owns, controls, or directs, directly or indirectly, 100 per cent of the voting shares or units in each of these subsidiaries.



GENERAL DEVELOPMENT OF THE BUSINESS

The following is a summary of significant developments in South Bow following and Spinoff and in the Liquids Pipelines business of TC Energy prior to the Spinoff, over the past three years:

Spinoff Transaction

On June 4, 2024, the shareholders of TC Energy and the Alberta Court of King's Bench approved the Spinoff. The Spinoff and the related transactions resulted in two separate, independent, investment-grade, publicly listed companies: (a) TC Energy; and (b) South Bow. South Bow is an energy infrastructure company that owns and operates critical liquids pipelines and facilities extending across Canada and the U.S., safely and reliably connecting robust crude oil supplies to key refining and demand markets in the U.S. Midwest and Gulf Coast. Pursuant to the Spinoff: (a) all of the assets and liabilities comprising the Liquids Pipelines business were transferred from TC Energy to South Bow; and (b) all of the common shares of South Bow were distributed to TC Energy shareholders on a *pro rata* basis.

On June 23, 2023, each of South Bow Infrastructure Holdings Ltd. ("HoldCo"), South Bow USA Infrastructure Holdings LLC ("U.S. LiquidsCo"), and South Bow Canadian Infrastructure Holdings Ltd. ("Canadian LiquidsCo") were formed as indirect wholly owned subsidiaries of TC Energy. In August 2023, the assets of the Liquids Pipelines business of TC Energy were consolidated under these newly formed entities to facilitate the Spinoff. HoldCo, U.S. LiquidsCo, and Canadian LiquidsCo are wholly owned subsidiaries of South Bow.

On August 28, 2024, U.S. LiquidsCo and Canadian LiquidsCo closed notes offerings of approximately $5.8 billion U.S.-dollar equivalent (C$7.9 billion Canadian-dollar equivalent) in aggregate principal amount (the "Notes Offering") related to the Spinoff. The net proceeds of the Notes Offering were released to South Bow upon completion of the Spinoff and used to repay indebtedness owed by South Bow and its subsidiaries to TC Energy and its subsidiaries. Separately, South Bow established a C$2.0 billion four-year senior unsecured revolving credit facility (the "Revolving Credit Facility") in the third quarter of 2024, which became available upon completion of the Spinoff.

Effective October 1, 2024, the Spinoff was implemented by way of the Plan of Arrangement pursuant to the terms of the Arrangement Agreement.

At closing of the Spinoff:

- TC Energy and South Bow entered into a separation agreement (the "Separation Agreement"), which sets forth the agreement between TC Energy and South Bow with respect to the separation of the Liquids Pipelines business from the business of TC Energy in connection with the Spinoff, including the transfer of certain assets related to the Liquids Pipelines business from TC Energy to South Bow and the allocation of certain liabilities and obligations related to the Liquids Pipelines business between TC Energy and South Bow, including responsibility and liability for certain legal actions existing at the time of completion of the Spinoff. In particular, TC Energy agreed to indemnify South Bow for 86 per cent of remaining total net liabilities and costs associated with the Milepost 14 incident and the existing variable toll disputes on Keystone (excluding any future impacts to the variable toll) subject to a maximum liability for South Bow of C$30 million for those two matters (collectively, the "TC Energy Indemnified Liquids Liabilities"). Any amounts that may ultimately be payable in respect of these liabilities and costs above the current accrued amount are indeterminable at this time. See *Separation Agreement*.
- TC Energy and South Bow provide certain services to one another pursuant to a transition services agreement (the "Transition Services Agreement"), which services are limited to those matters which, for practical reasons, TC Energy or South Bow, as applicable, cannot feasibly self-perform or outsource to third parties as of the time of completion of the Spinoff. Such services are primarily provided by TC Energy to South Bow. South Bow provides limited transitional services to TC Energy.

- TC Energy and South Bow entered into a tax matters agreement (the "Tax Matters Agreement"), which governs the parties' respective rights, responsibilities, and obligations with respect to taxes (including taxes arising in the ordinary course of business and taxes, if any, incurred as a result of any failure of the Spinoff and certain related transactions to qualify as tax-free for Canadian or U.S. federal income tax purposes), tax attributes, the preparation and filing of tax returns, tax elections, the control of audits and other tax proceedings, and assistance and cooperation in respect of tax matters.
- TC Energy assigned employees and transferred certain employee benefit plan assets and liabilities to South Bow, and both South Bow and South Bow USA Services, Inc. have established benefit plans and arrangements for the transferred employees pursuant to an employee matters agreement (the "Employee Matters Agreement") that was entered into between, among others, TC Energy and South Bow.

Separation Agreement

The Separation Agreement, which was entered into at closing of the Spinoff, sets forth the agreement between TC Energy and South Bow with respect to the separation of the Liquids Pipelines business from the business of TC Energy in connection with the Spinoff, including the transfer of certain assets related to the Liquids Pipelines business from TC Energy to South Bow and the allocation of certain liabilities and obligations related to the Liquids Pipelines business between TC Energy and South Bow, including responsibility and liability for certain legal actions existing at the time of completion of the Spinoff.

Under the terms of the Separation Agreement, South Bow agreed to indemnify TC Energy and its affiliates from and against any liabilities that are primarily attributed to the Liquids Pipelines business, whether arising or accruing at, prior to or after the time of completion of the Spinoff and whether the facts on which such liability are based occurred at, prior to or after the time of completion of the Spinoff. This arrangement is subject to two primary exceptions, as TC Energy agreed to indemnify South Bow for the TC Energy Indemnified Liquids Liabilities, the effect of which is to limit South Bow's liability for the TC Energy Indemnified Liquids Liabilities to C$30 million in the aggregate. The variable toll disputes on Keystone are currently before applicable regulatory bodies and, while South Bow believes that it has strong arguments that the variable tolls in dispute were properly calculated and applied, any amounts above the current accrued amounts that may ultimately be payable in respect of these disputes are indeterminable at this time, however such amounts may be material. The arrangements with respect to the TC Energy Indemnified Liquids Liabilities will not apply to any impact the resolution of the variable toll disputes has on tolls following completion of the Spinoff or South Bow revenues.

The Separation Agreement also contains an indemnity under which TC Energy agreed to indemnify South Bow and its affiliates from and against any liabilities relating to the businesses and assets retained by TC Energy. TC Energy and South Bow also agreed to indemnify each other with respect to non-performance of their respective obligations under the Separation Agreement.

It is agreed that any amounts ultimately recoverable in respect of the claim to recover economic damages under the United States-Mexico-Canada Agreement ("USMCA") relating to the legacy North American Free Trade Agreement ("NAFTA") and the revocation of the Keystone XL Presidential Permit in early 2021, will be attributable to TC Energy and South Bow on a 90 / 10 split, respectively.

The separation of the Liquids Pipelines business was completed in accordance with the Separation Agreement, the Tax Matters Agreement, the Employee Matters Agreement, and the Plan of Arrangement. However, to the extent that certain legal documentation necessary to evidence any of the transactions contemplated by the Separation Agreement was not completed on or prior to the closing of the Spinoff, South Bow and TC Energy agreed under the Separation Agreement to cooperate to complete such legal documentation following the time of completion of the Spinoff. In addition, each of TC Energy and South Bow agreed under the Separation Agreement to cooperate with each other and use reasonable commercial efforts to take or to cause to be taken all actions, and to do, or to cause to be done, all things reasonably necessary under applicable law or contractual obligations to consummate and make effective the transactions contemplated by the Separation Agreement and the ancillary agreements.

Other matters provided for by the Separation Agreement include, among other things, access to books and records, confidentiality, and dispute resolution.

Following the Spinoff, TC Energy and South Bow became independent of each other to the greatest extent practicable. While the owners of both companies were initially the shareholders of TC Energy prior to the Spinoff, other than Mary Pat Salomone, who was elected to the board of directors of each of TC Energy and South Bow, there is no overlap in the directors, management, or employees of TC Energy and South Bow. However, for a limited transition period, TC Energy and South Bow are subject to certain contractual arrangements, which are intended to facilitate the orderly transition of each entity into a fully independent public company. Such arrangements are limited to those contained in the Separation Agreement, the Transition Services Agreement, the Tax Matters Agreement, and the Employee Matters Agreement.

Blackrod Connection Project

South Bow is developing the Blackrod Connection Project, which will consist of a 25-km (16-miles) crude oil pipeline and a 25-km (16-miles) natural gas lateral and associated facilities to provide crude oil transportation from International Petroleum Corporation's ("IPC") Blackrod Steam Assisted Gravity Drainage ("SAGD") facility to South Bow's Grand Rapids Pipeline System. The total expected capital cost of the project is approximately $180 million, targeted to be ready for in-service in early 2026. The Blackrod Connection Project is supported by long term committed contracts. See *Description of the Business—Blackrod Connection Project*.

Keystone

The Keystone pipeline system ("Keystone") is currently operating at a historically high operating performance, with an operational reliability, or System Operating Factor, of 95 per cent in 2024. Operational reliability represents availability over a period of time. Through an acute focus on operational excellence, investments in integrity and reliability projects, as well as sustainable improvements, the system has been able to safely transport higher system throughput and increase its toll competitiveness. South Bow will continue to focus on enhancing system operations and continuing to optimize system reliability and performance.

On December 7, 2022, TC Energy responded to a release of 12,937 barrels of crude oil from Keystone into a creek in Washington County, Kansas at Milepost 14 of the pipeline (the "Milepost 14 incident"). By June 2023, the recovery of all released volumes was completed, and by October 2023, creek restoration was finished, restoring natural flows to it. South Bow will maintain its commitment to long-term reclamation and environmental monitoring activities.

A Corrective Action Order was issued by the PHMSA in December 2022 and later amended in March 2023. The pipeline is operating subject to the Amended Corrective Action Order, which includes certain operating pressure restrictions. Under the Amended Corrective Action Order, South Bow continues to fulfill its Keystone contract commitments. Subsequent to December 31, 2024, the Company received PHMSA approval of the remedial work plan, satisfying the conditions imposed by the Amended Corrective Action Order relating to the Milepost 14 Incident.

A Root Cause Failure Analysis ("RCFA") of the Milepost 14 incident was conducted by an independent third party and was submitted to PHMSA in April 2023. The RCFA revealed that a unique set of circumstances occurred at the rupture location, which likely originated during construction, with the primary cause of the rupture being a fatigue crack. A comprehensive remedial work plan has been implemented, including the RCFA's recommendations, to enhance pipeline integrity and safety performance of the system.

In 2019 and 2020, certain Keystone customers initiated complaints before the FERC and the CER regarding certain costs within the variable toll calculation. In December 2022, the CER issued a decision which resulted in a one-time adjustment related to previously charged tolls of C$38 million. The CER has established a proceeding to consider Keystone's compliance filing required by the decision regarding the allocation of certain drag reducing agent costs in the variable toll. In February 2023, the FERC Administrative Law Judge released their initial decision in respect of the complaint and as a result, an adjustment of $42 million related to tolls previously charged between 2018 and 2022, which was accrued by the Company in 2023. A final order from the commission of the FERC was issued in July 2024, which resulted in a further adjustment of $8 million related to tolls previously charged between 2018 and 2022. South Bow appealed before the District of Columbia Court of Appeals in August 2024. A decision is expected in 2025.

Keystone XL

Following the revocation of the 2019 Presidential Permit for Keystone XL in January 2021, and after a comprehensive review of options in consultation with its partner, the Government of Alberta, in June 2021, TC Energy terminated the Keystone XL pipeline project. After the 2019 Presidential Permit was revoked, construction activities ceased except for certain activities required to clean up and reclaim worksites in adherence with TC Energy's commitment to safety, the environment, and its regulatory requirements. Right-of-way clean up and restoration is substantially complete while termination activities continued through the first half of 2024. TC Energy and South Bow, as applicable, will continue to coordinate with regulators, stakeholders, landowners, and Indigenous groups to meet their respective environmental and regulatory commitments.

In November 2021, TC Energy filed a Request for Arbitration to formally initiate a legacy NAFTA claim to recover more than $15 billion in economic damages resulting from the revocation of the Presidential Permit for the Keystone XL pipeline project. The U.S. government objected on the basis that the provisions under the USMCA that protect investments made while NAFTA was in force apply only in connection with actions taken before July 1, 2020, when USMCA replaced NAFTA. The Tribunal agreed with the U.S. government and therefore concluded that it did not have jurisdiction over TC Energy's claim. In April 2023, the Government of Alberta filed its own request for arbitration, which is proceeding separately from TC Energy's claim.

DESCRIPTION OF THE BUSINESS

South Bow's business consists of crude oil pipeline and terminal assets that safely transport crude oil primarily from the WCSB and Cushing market hub to the U.S. Midwest and Gulf Coast. South Bow also offers ancillary services, including storage at terminals, which provides customers with increased receipt and delivery optionality. In addition to its crude oil pipeline and terminal assets, South Bow conducts marketing activities through a non-regulated marketing entity. South Bow has three reporting segments: (a) Keystone Pipeline System; (b) Marketing; and (c) Intra-Alberta & Other.

For information regarding South Bow's Keystone Pipeline System business, refer to the " *Segment Results – Keystone Pipeline System*" section of the MD&A, which section is incorporated by reference herein.

For information regarding the Company's Marketing business, refer to the " *Segment Results – Marketing*" section of the MD&A, which section is incorporated by reference herein.

For information regarding South Bow's Intra-Alberta & Other business, refer to the " *Segment Results – Intra-Alberta & Other*" section of the MD&A, which section is incorporated by reference herein.

Refer to the " *Financial Highlights*" section of the MD&A for the Company's revenues from operations, by segment, for the years ended December 31, 2024 and 2023, which section is incorporated by reference herein.


Liquids Pipeline
Liquids Tank Terminal
Production Basin
Western Canadian Sedimentary Basin
Oil Sands
FORT MCMURRAY
EDMONTON
HARDISTY
CANADA
CALGARY
Williston
Powder River
Denver-Julesburg
UNITED STATES
WOOD RIVER
PATOKA
Anadarko
CUSHING
Permian
HOUSTON
PORT ARTHUR
Eagle Ford
MEXICO

Liquids Pipelines

Spanning 4,900-km (3,045-miles), South Bow's network of pipelines is uniquely and strategically positioned, connecting stable oil production in the WCSB to world-class refineries in the U.S. Midwest ("PADD 2") and Gulf Coast ("PADD 3") markets.

South Bow's pipeline assets provide pipeline transportation services to customers predominantly supported by long-term contracts with fixed monthly payments that are linked to contracted throughput volumes, providing certainty and generating stable earnings over the contract term.

These long-term contracts provide for the recovery of development costs, with operating and maintenance costs primarily recovered through a variable flow-through toll. This contracting profile generally insulates South Bow's business against market fluctuations and commodity price volatility and is expected to provide South Bow with a stable source of cash flow to support its dividend and capital growth initiatives, and allocation priorities.

Revenues from South Bow's pipelines are generated mainly from providing customers with firm capacity arrangements to transport crude oil. The performance obligation in these contracts is the reservation of a specified amount of transportation capacity of crude oil on a monthly basis. Revenues earned from these arrangements are recognized ratably over the term of the contract regardless of the actual amount of crude oil that is transported. With the exception of South Bow's Marketing business, South Bow does not take ownership of the crude oil that it transports under these transportation contracts.

Uncontracted pipeline capacity is offered to the market on a monthly uncommitted basis and also through periodic open seasons, in accordance with regulatory requirements, which provides opportunities for South Bow to generate incremental earnings.

South Bow has an interest in the following pipelines:

Pipeline	Length	Description	Ownership
Keystone	4,327 km (2,689 mi)	Transports crude oil from Hardisty, Alberta to U.S. markets at Wood River and Patoka, Illinois, Cushing, Oklahoma, and the U.S. Gulf Coast.	100.0%
Marketlink	—	Transports crude oil from Cushing, Oklahoma to the U.S. Gulf Coast on facilities that form part of Keystone.	100.0%
Grand Rapids	460 km (286 mi)	Transports crude oil from the producing area northwest of Fort McMurray, Alberta to the Edmonton/Heartland, Alberta market region.	50.0%
White Spruce	72 km (45 mi)	Transports crude oil from Canadian Natural Resources Limited's Horizon facility in northeast Alberta to the Grand Rapids Pipeline System.	100.0%
HoustonLink	15 km (9 mi)	Connects Keystone and Marketlink to ONEOK, Inc.'s ("ONEOK") East Houston terminal. ONEOK operates the HoustonLink Pipeline.	50.0%
Port Neches	6 km (4 mi)	Transports crude oil from Keystone and other liquids terminals in the Port Arthur, Texas area to the Motiva terminal in Port Neches, Texas.	74.9%

Pipeline	Length	Description	Ownership
In Development			
Blackrod Connection	25 km (16 mi)	Upon completion, will provide a connection from IPC's proposed Blackrod SAGD facility to transport crude oil to the Grand Rapids Pipeline System and a 25 km (16-miles) natural gas supply pipeline connecting to TC Energy's NGTL system (the "Blackrod Connection Project").	100.0%

Keystone Pipeline System

Keystone

Keystone is a 4,327-km (2,689-miles), 30 to 36-inch crude oil pipeline system, traversing three Canadian provinces and eight U.S. states. Keystone safely transports crude oil exported from western Canada to various delivery points in the U.S. Midwest and Gulf Coast. In 2024, Keystone delivered approximately 626,000 bbl/d of crude oil from Alberta, Canada to U.S. markets. Keystone operates in Canada and the U.S. and is therefore subject to the common carrier obligations imposed by the CER and the FERC, respectively.

Keystone has negotiated a fixed/variable rate toll structure with its shippers, providing South Bow with long-term certainty of cash flow. Recovery of the initial capital investment was fixed on a long-term committed basis, while actual operating and maintenance costs are recovered through the variable toll. Keystone is required through its common carrier obligations to make six per cent of its capacity readily available to uncommitted spot shippers. Spot tolls are adjusted based on market indicators to maintain competitiveness and are offered on a monthly basis.

Keystone was built out over four phases as follows and as shown on the map below:

Phase 1 (2007): 2,988-km (1,857-miles) section from Hardisty, Alberta, to Steele City, Nebraska, and onward to Wood River and Patoka, Illinois (Wood River / Patoka Leg) where it delivers to Mid-Continent refineries and the Patoka trading hub. Phase 1 commenced operations in June 2010.

Phase 2 (2011) ***(Cushing Extension)***: 479-km (298-miles) section from Steele City, Nebraska, to Cushing, Oklahoma, for delivery into the Cushing trading hub. Phase 2 commenced operations in 2011.

Phase 3 (2014) ***(Gulf Coast Extension)***: 782-km (486-miles) section from Cushing, Oklahoma, to Nederland, Port Arthur, and Sour Lake, Texas, providing access to the U.S. Gulf Coast refining market. Phase 3 commenced operations in 2014.

Phase 4 (2016) ***(Houston Lateral)***: 78-km (48-miles) Houston Lateral to Houston, Texas, enabling deliveries to the Houston Tank Terminal, refineries, trading hubs, and export terminals. Phase 4 commenced operations in 2016.



Keystone's competitive rates, premium service offering, connectivity, and long-term supply source resilience has positioned the asset as the premier egress pipe for shippers over the long term.

Keystone Transportation Service Agreements ("Keystone TSAs")

Keystone is supported by 585,000 bbl/d of committed contracts and 540,000 bbl/d of those commitments are with shippers who are either rated investment grade by at least one of S&P or Moody's or whose parent entity is rated investment grade by at least one of S&P or Moody's.

Credit Profile	Volume-weighted Term Remaining (years)	Contract Volume (bbl/d)
Investment Grade	7	540,000
Non-investment Grade / Not Rated / Unrated	6	45,000
Total Contracted Volumes	7	585,000

With a volume-weighted remaining contract term of approximately seven years, [1] South Bow expects earnings stability through the medium term. In addition, Keystone TSAs include renewal provisions, which provides customers with an option to extend their contract term. Contract terms may be extended by up to 10 years at rates established at the time of re-contracting. Force majeure clauses within the Keystone TSAs require customers to continue payment of fixed tolls for an initial three-month period during which volumes are not shipped, which time period is within the response times demonstrated during the Milepost 14 incident. Customers recuperate transportation services for unshipped volumes through make-up rights.

South Bow is positioned to execute on a high-quality set of growth opportunities, which is expected to further strengthen its competitive position in advance of re-contracting for the long term. Keystone has the most direct path with the shortest transit times from Hardisty, Alberta, to the U.S. Gulf Coast, providing it with an existing competitive advantage. South Bow will take a focused and diligent approach to identifying, progressing, and executing on growth opportunities, which include leveraging existing infrastructure to expand or extend its premium corridor to add incremental market connections. For these reasons, South Bow believes it will be able to successfully compete for contracts over the long term.

Marketlink

The Marketlink pipeline system ("Marketlink") provides crude oil transportation services from Cushing, Oklahoma to the U.S. Gulf Coast, through its lease of capacity on the U.S. Gulf Coast segment of Keystone[2], which represents approximately 40 per cent of the pipeline take-away capacity between Cushing and the U.S. Gulf Coast. Marketlink's lease payments are calculated in accordance with the lease and based on its proportional share of U.S. Gulf Coast capacity.

Marketlink is complementary to Keystone as it enables increased utilization of U.S. Gulf Coast segment capacity while ensuring Keystone customers maintain their right to capacity, and through the lease, reduces the operating costs for all Keystone customers, enabling South Bow to offer its customers a more competitive toll. Marketlink is regulated by FERC and operates as a common carrier pipeline, requiring South Bow to make 10 per cent of capacity available to new shippers if nominations exceed capacity. Marketlink has been granted approval by FERC to charge market-based rates.

Through its use of U.S. Gulf Coast segment capacity, Marketlink provides a connection to multiple terminals, refineries and marine export facilities in both Houston and Port Arthur, Texas markets.

Port Neches Link

South Bow owns a 74.9 per cent interest in Port Neches Link, a joint venture with Motiva. The 6-km (4-miles), 36-inch, Port Neches Link pipeline is strategically located in a heavily congested area of energy infrastructure, enabling last-mile connectivity for Keystone and Marketlink shippers to Motiva's 630,000 bbl/d Port Arthur refinery—North America's largest refinery. The Port Neches pipeline also includes facilities that connect additional liquids terminals in the Port Arthur area to Motiva's refinery. The Port Neches Link pipeline is a common carrier pipeline regulated by the Railroad Commission of Texas.

HoustonLink

South Bow owns a 50 per cent interest in HoustonLink, a joint venture with Magellan Midstream Partners L.P., an affiliate of ONEOK. The 15-km (9-miles), 24-inch, HoustonLink pipeline provides a connection between Keystone, Marketlink, and ONEOK's East Houston terminal. HoustonLink is a common carrier pipeline regulated by the Railroad Commission of Texas. ONEOK is the operator of HoustonLink.

[1] As of December 31, 2024.

[2] The U.S. Gulf Coast segment of Keystone includes the Gulf Coast Extension and Houston Lateral.

Terminal Assets

To facilitate the delivery of its customers' products to key markets, South Bow owns and operates approximately 7.6 MMbbl of crude oil storage at facilities located in Alberta, Oklahoma, and Texas. These assets play an important role in the operations and competitiveness of South Bow's liquids pipelines network and provide South Bow with the opportunity to generate incremental revenue by leasing tank space to customers, providing them with market optionality. Contractual arrangements associated with storage are typically fixed-fee, term contracts.

Tank Terminal	Capacity (MMbbl)	Type of Storage
Hardisty	2.2	Operational / Contract
Cushing	3.3	Operational / Contract
Houston	1.4	Operational / Contract
MacKay & Heartland	0.7	Operational
Total Capacity	7.6	

Marketing

South Bow's Marketing business provides customers with a variety of crude oil marketing services, including transportation, storage, and logistics, primarily through the purchase and sale of physical crude oil. This business contracts for capacity on South Bow's assets as well as third-party owned pipelines and tank terminals. The Marketing business periodically engages in hedging activities to minimize commodity risk exposure by utilizing financial instruments and derivative contracts.

Intra-Alberta & Other

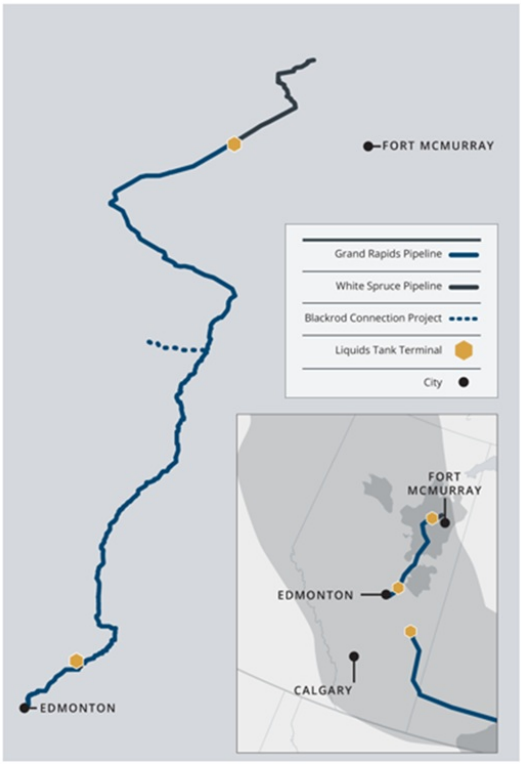
South Bow currently owns and operates two intra-Alberta pipelines as shown on the map below. South Bow's intra-Alberta pipelines are regulated by the Alberta Energy Regulator ("AER").

Grand Rapids Pipeline System

Jointly owned by South Bow andPetroChina Canada Ltd., with a 50 per cent interest each, the 460-km (286-miles), 20-inch Grand Rapids Pipeline System plays a key role in connecting oil sands production to terminals in the Edmonton and Heartland refining and marketing region. Grand Rapids was brought into service in August 2017, supported by a 25-year committed contract. Grand Rapids provides connectivity to westbound and eastbound ex-Alberta pipelines.

White Spruce Pipeline System

The 72-km (45-miles), 20-inch White Spruce Pipeline System provides transportation and market access for growing volumes of crude oil produced in Alberta's oil sands region. White Spruce is designed to transport crude oil produced at Canadian Natural Resources Limited's Horizon Oil Sands Facility in northeast Alberta to the Grand Rapids Pipeline System. White Spruce was brought into service in May 2019, supported by a 25-year committed contract.



Blackrod Connection Project

South Bow is developing the Blackrod Connection Project, which is designed to provide both liquids and natural gas transportation infrastructure to support IPC's Blackrod SAGD facility. The Blackrod Connection Project will consist of a 25-km (16-miles), 12-inch crude oil pipeline, a 25-km (16-miles), 16-inch natural gas pipeline, and associated facilities, providing a connection from IPC's Blackrod SAGD facility to the existing Grand Rapids Pipeline System.

Project Status and Expected Timeline

Date	Action
Q3 2023	Engagement completed
Q2 2024	Regulatory and environmental approvals received
Q3 2024	Facility construction commenced
Q4 2024	Pipeline construction commenced
Early 2026	Anticipated to be ready for in-service

Regulation of South Bow

Canada

The CER regulates the terms and conditions of service, including rates, construction, and operation of the Canadian portion of Keystone. The CER also subjects liquids pipelines to common carrier obligations. The rates for transportation service on Keystone are calculated in accordance with a methodology agreed to in transportation service agreements between Keystone and its customers, as approved by the CER.

The AER regulates South Bow's White Spruce and Grand Rapids pipelines and matters related to rates and services by the Alberta Utilities Commission. Rates and services are regulated on a complaint basis.

Rate-regulated accounting is not applicable to South Bow's regulators' decisions regarding operations and tolls on South Bow's pipeline systems generally do not have an impact on timing of recognition of revenues and expenses.

United States

In the U.S., regulated interstate liquids pipelines are subject to the federal authority of the FERC, PHMSA and various U.S. state authorities. These entities regulate the construction, operation, and abandonment of pipeline infrastructure.

The FERC regulates the transportation service of South Bow's liquids pipeline systems and oversees the reasonableness of its tolls. The siting and construction of pipeline facilities are regulated by the specific state regulator in which the pipeline facilities are located.

PHMSA, an agency of the U.S. Department of Transportation, oversees safety for pipeline construction, operation, and maintenance including the U.S. portion of Keystone.

Liquids pipeline projects that cross federal lands or waters of the U.S. require additional federal permits.

Cross-border Regulation

Liquids pipelines that cross the international border between Canada and the U.S., such as Keystone, are subject to cross-border regulation. South Bow's cross border activities subject it to regulatory matters, including import and export licenses, tariffs, Canadian and U.S. customs and tax issues and toxic substance certifications. Such regulations include the *Short Supply Controls of the Export Administration Act*, the USMCA, and the *Toxic Substances Control Act*. Keystone obtained a Presidential Permit for the construction and operations of Keystone.

Business Environment

Dynamic shifts in geopolitical events, government policy changes, and various macroeconomic factors continue to impact global crude oil supply and demand fundamentals. While the upstream sector remains focused on balancing capital discipline and growth, South Bow still expects crude oil demand to increase this decade. Over the next 30 years, South Bow expects global demand to grow, driven by world population growth and economic expansion. South Bow believes that North America's crude oil supply, inclusive of the WCSB, is critical to supporting this future demand and that North American crude oil production will remain a robust and important part of the energy mix for decades to come.

Strategic Priorities

South Bow believes that its liquids pipelines are strategically positioned to provide secure and competitive transportation solutions for growing supplies of WCSB and U.S. crude oil to the U.S. Midwest and Gulf Coast. Supported by long-term contracts generating stable earnings, South Bow believes that its assets will be able to endure the impact of short-term commodity price fluctuations and supply and demand responses.

Within established risk preferences, South Bow will remain committed to:

- optimizing the operational performance and commercial value of existing assets;
- expanding and leveraging existing infrastructure for growth expansions; and
- progressing system operational improvements.

South Bow will examine opportunities to expand its transportation services and extend its pipeline platform to increase last-mile delivery connectivity to refineries and terminals with storage and marine export capabilities. South Bow will also focus on leveraging its existing assets and developing projects to provide increased optionality for its customers.

A significant aspect of South Bow's strategy is employing a strengthened, customer-centric approach to position its business to remain competitive in a dynamic market. As part of this strategy and its commitment to maintaining customer trust, South Bow carefully scrutinizes variable toll costs and has enacted consistent, frequent, and transparent communications with its customers through targeted events and customer meetings.

Over the long term, South Bow believes it has a high-quality set of growth opportunities to unlock the full potential of its premium footprint. South Bow will closely monitor the marketplace for strategic asset acquisitions as well as joint venture or joint tolling opportunities to enhance system connectivity or expand its footprint within North America. South Bow will remain disciplined in its approach and will position its business development activities strategically to pursue opportunities within its risk preferences.

Customer Profile

South Bow's customers consist of vertically integrated companies, refiners, producers, and marketers with single customer exposure representing less than 30 per cent of annual contracted revenue.[3] Customers are highly creditworthy counterparties with 96 per cent of South Bow's commercial contracts underpinned by investment-grade counterparties. The long life of South Bow's liquids infrastructure aligns with the nature of the producers and refineries South Bow serves and is a key driver of the long-term contract profile that is unique to the Company's business. With a volume-weighted remaining contract term of approximately seven years,[3] South Bow expects earnings stability through the medium term.

The following table provides a breakdown of South Bow's revenue by customer type for the periods indicated.

Customer Type	Proportion as a Percentage of Total Revenues for the Year Ended December 31, 2024[1]	Proportion as a Percentage of Total Revenues for the Year Ended December 31, 2023[1]
Vertically Integrated (Producer & Refiner)	44%	43%
Refiner	45%	49%
Producer	6%	6%
Marketer	5%	2%

1. Excludes "Other revenues".

Supply Outlook

Canada

Canada has the world's third-largest crude oil reserves with over 160 billion barrels of proven and economically recoverable oil. [4] Canada's crude oil reserves are made up of conventional, unconventional and oil sands reserves, with the predominance of the reserves attributable to the oil sands within the WCSB, which has a reserves life index of greater than 50 years. Production from the WCSB, which is the main supply source for South Bow's assets, was approximately 4.9 MMbbl/d in 2024 and is expected to grow by over 500,000 bbl/d by 2030.[5] The oil sands makeup the majority of Canadian crude oil production with 3.4 MMbbl/d in 2023.[5] The oil sands are considered a world-class supply source given their decades-long reserve life, low base production decline, and continuously improving cost and environmental performance. South Bow believes that its assets are well-positioned to capture such production growth from the WCSB.

[3] As of December 31, 2024.

[4] Canadian Association of Petroleum Producers (2025).

[5] S&P North American Crude Oil Markets Canadian Fundamentals Data (Q3 2024).

United States

The U.S. is one of the largest crude oil producing countries in the world, with production exceeding 13 MMbbl/d in 2024. [6] The majority of continental U.S. crude oil production is in the form of light tight oil from the Permian, Williston, Eagle Ford, and Niobrara plays/basins.[7] U.S. refineries have been optimized through significant capital investments to refine a mix of light and heavy crude oils to produce an optimized refined products slate. With Keystone's connection to key refining and export markets, South Bow believes its assets are well-positioned to continue to attract barrels that aggregate at the Cushing, Oklahoma supply hub and utilize Marketlink to reach the U.S. Gulf Coast.

Demand Outlook

Global energy demand is forecasted to increase over the next 30 years, [8] driven by global population and economic growth; and South Bow expects that crude oil will play a vital role in helping the world meet its energy needs for decades to come.

The U.S. is the primary source of crude oil demand in North America, with refining capacity of 18 MMbbl/d. [6] Canada's heavy crude oil production is of strategic importance to the U.S. refining industry. South Bow's assets serve the U.S. Midwest and Gulf Coast refining markets, PADD 2 and PADD 3, respectively. PADD 2 represents 23 per cent (4 MMbbl/d) and PADD 3 represents 54 per cent (10 MMbbl/d) or, in aggregate, 77 per cent (14 MMbbl/d), of U.S. refining capacity.[6] Many PADD 2 and PADD 3 refineries are large-scale, complex facilities, with deep conversion capacity for heavy crude oil reached through significant capital investments. These markets are expected to increase their domestic market share[6] and remain globally competitive for decades to come due to their access to low-cost Canadian heavy and U.S. light crude oil, as well as their proximity to abundant low-cost natural gas supply, positioning them to be among the most profitable refineries in the world.

While domestic consumption makes up the predominance of current North American crude oil demand, exports are expected to grow, increasing their proportion of North American crude oil demand out past the end of the decade, driven by growth in emerging markets. Crude oil export from the U.S. Gulf Coast, a market served by South Bow's pipelines, is expected to grow through 2030.[6]

Given the unique and critical nature of its pipeline network, South Bow believes that its advantageous infrastructure corridor will be useful through even the most aggressive energy transition scenarios. South Bow will seek to augment its connectivity to resilient supply and premium markets to ensure that its business remains stable and is positioned for future growth, even through volatile markets. In particular, South Bow will examine opportunities to expand its transportation services and extend its pipeline platform to include last-mile delivery connectivity to refineries and terminals with storage and marine export capabilities. South Bow will also focus on leveraging its existing assets and developing new projects to provide optionality for its customers. See *Strategic Priorities.*

Competitive Conditions

Competition among liquids pipelines is based primarily on transportation charges, access to producing regions and demand for crude oil by end users. Existing third-party owned pipelines in the vicinity of South Bow's operations expose South Bow to competition based on their ability to provide crude oil transportation into similar or different markets. In areas where new infrastructure is being built or has been built to accommodate new or increased production or changing product flows, South Bow faces competition, as well as risk that egress capacity may be unconstrained until production grows sufficiently or pipelines are retired. Further delays in production growth, higher than anticipated production declines, or lower than expected demand for crude oil could exacerbate these risks, but South Bow believes that its contract terms, tenor and structure of its integrated business model, combined with expected crude oil supply and demand fundamentals, should partially help mitigate these risks.

[6] S&P North American Crude Oil Markets Annual Strategic Workbook (2024).

[7] S&P Global Commodity Insights (January 2025).
[8] U.S. Energy Information Administration, International Energy Outlook 2021.

Marketlink serves markets with heightened competition and, as a result, has been granted market-based rate authority by the commission of the FERC. South Bow is able to use Marketlink's market-based rates authority as a tool to compete to attract volumes.

Pipelines, which generally offer the lowest cost of transportation, may also face competition from other forms of transportation, such as truck, rail, and barge. Although these alternative forms of transportation typically have higher costs and are more carbon intensive, they may be able to provide access to alternative markets whereby a higher price may be realized justifying the increased transportation cost.

South Bow also faces competition with respect to its ancillary services, such as storage at terminals. South Bow's ability to offer competitive rates and attractive service attributes are necessary to compete in these markets.

Companies that compete with South Bow include Enbridge Inc., Gibson Energy Inc., Keyera Corp., Pembina Pipeline Corporation, Plains All American Pipeline, L.P., Energy Transfer LP, and Enterprise Products Partners L.P, among others.

Economic Cycles/Seasonality

South Bow's annual revenues are based on contracted and uncontracted transportation service, ancillary services, as well as marketing activities. Quarter-over-quarter revenues and earnings may be affected by a number of factors, which include but are not limited to:

- regulatory and government policy decisions;
- newly constructed assets being placed in service;
- acquisitions and divestitures;
- demand for uncontracted transportation services;
- marketing activities and commodity prices;
- developments outside of the normal course of operations;
- certain fair value adjustments;
- weather; and
- planned and unplanned outages.

The long-term contract profile supporting South Bow's business model provides stable tolls for customers and stable revenues for South Bow. The cyclical nature of commodity prices may influence the pace at which customers expand their operations. This can impact the rate of project growth in the liquids industry, the value of services as contracts expire, and the timing for the demand of transportation services and/or new liquids infrastructure.

Economic Dependence

For the year ended December 31, 2024, three major customers accounted for $630 million, $322 million, and $175 million, respectively, in revenues, each representing more than 10 per cent of total revenues from contracts with customers (2023 – four major customers: $635 million, $308 million, $174 million, and $167 million, respectively; 2022 – four major customers: $573 million, $237 million, $166 million, and $151 million, respectively), or in aggregate, $1.127 billion or approximately fifty-three per cent of total revenues from contracts with customers (2023 – four customers: $1.284 billion or approximately sixty-four per cent; 2022 – four customers: $1.127 billion or approximately fifty-five per cent). For further information, see Note 6 of the 2024 Annual Financial Statements.

Changes to Contracts

The markets served by Marketlink are competitive, requiring South Bow to develop and offer services with attractive attributes at cost competitive levels. South Bow has been recently successful in attracting and retaining customers on Marketlink; however, adverse changes in market circumstances may result in customers with renewal options electing not to renew. Marketlink has contracts that are set to expire in 2025.

Health, Safety, Sustainability, Environmental Protection, and Social Policies

Safety, Environment and Operations Committee

South Bow established the Safety, Environment and Operations Committee of the board of directors (the "Board") of South Bow to oversee operational risk, major project execution risk, occupational and process safety, sustainability, security of personnel and electronic data, environmental and climate change-related risks, as well as monitoring the development and implementation of systems, programs and policies relating to HSSE matters through regular reporting from Management. The committee reviews, monitors, and reports on:

- Performance and activities of South Bow on HSSE matters including compliance with applicable and proposed legislation, regulations and orders; conformance with industry standards; people health, safety and security; process safety; asset reliability; operational risk management and asset integrity plans and programs; and emergency response plans and programs.
- Execution of major projects with significant cost, first-of-a kind technology to South Bow, or significant stakeholder complexity.
- Whether the systems, programs and policies are being appropriately developed and effectively implemented.
- Actions and initiatives undertaken by South Bow to prevent, mitigate and manage risks, including climate change-related risks and cyber security-related risks, which may have the potential to adversely impact South Bow's assets, operations, activities, plans, strategies, or reputation or prevent loss or injury to South Bow's employees and its assets or operations from malicious acts, natural disasters, or other crises situations.
- Critical incidents respecting South Bow's assets or operations involving: a fatality or a life-threatening injury to a person; any pipeline ruptures resulting in significant property damage or loss of product; whistleblower events; or any incidents involving personnel and public safety, property damage, environmental damage, or physical security that have the potential to severely and adversely impact South Bow's reputation or business continuity.
- Regulatory audits, findings, orders, reports and/or recommendations issued by or to South Bow together with Management's response.
- Sustainability matters, including social, environmental and climate change related risks and opportunities, as well as related public disclosure.

The Safety, Environment and Operations Committee also maintains oversight of significant and complex capital and system improvement projects, including the monitoring of prescribed performance criteria. The Safety, Environment and Operations Committee hosts regular sessions, as part of its formal committee meetings, with members of senior Management to receive status, cost and notable updates on certain of these capital projects. Management also provides periodic written updates to the Safety, Environment and Operations Committee throughout the year.

The Safety, Environment and Operations Committee also receives updates on any specific areas of operational and construction risk management review being conducted by Management and the results and corrective action plans flowing from internal and third-party audits. Generally, each year the Safety, Environment and Operations Committee or the Chair of the Safety, Environment and Operations Committee tours one of South Bow's existing assets or projects under development as part of its responsibility to monitor and review its HSSE practices. All South Bow board members are invited to attend site tours.

Health, Safety, and Asset Integrity

Operational Management System

South Bow uses an integrated operational management system ("OMS") that establishes a framework for managing risks and is used to capture, organize, document, monitor, and improve its related policies, standards, and procedures. South Bow's OMS leverages industry consensus standards and incorporates applicable regulatory requirements. The OMS governs health, safety, environment, and operational integrity matters for all South Bow's assets across Canada and the U.S. throughout their lifecycle. The OMS is assessed through periodic audits and evaluations and continually improved through a structured and systematic process.

Safety Management Program

The safety of South Bow's employees, contractors, and the public and the integrity of its assets are an enduring core value. All assets were and will continue to be designed, constructed, commissioned, operated, and maintained with full consideration given to safety and integrity, and will be placed into service only after all necessary requirements, both regulatory and internal, have been satisfied.

In furtherance of its commitment to protecting the health and safety of all individuals involved in its activities, South Bow consistently seeks to deliver effective programs that:

- reduce the human and financial impact of illness and injury;
- ensure fitness for work;
- strengthen worker resiliency;
- build organizational capacity by focusing on individual well-being, health education, leader support, and improved working conditions to sustain a productive workforce;
- increase mental well-being awareness;
- provide various health and wellness supports and training to employees and leaders;
- measure the success of programs; and
- foster a positive safety culture by embracing human and organizational performance, which emphasizes understanding the systemic factors contributing to workplace incidents unlike traditional models that often pinpoint human error as the primary cause of such events.

Emergency Management Program

South Bow has implemented an Emergency Management Program to provide a consistent and comprehensive approach to emergency preparedness, business continuity, and emergency response within South Bow. South Bow has also implemented standard emergency response protocols which align to the Incident Command System. To maintain a high level of readiness, South Bow utilizes a common organizational framework for emergency response and provides initial and ongoing response training for all relevant personnel. South Bow believes it has the physical resources required to manage a response of any size or scope and works closely with industry-leading response contractors and maintains a fleet of company-owned response equipment located in strategic caches along its system footprint. South Bow's business maintains multi-layer response plans that support site-specific planning and industry best practices to support a coordinated and effective response. South Bow routinely exercises these plans and holds realistic drills, often in collaboration with local response agencies and communities, to hone the skills of its personnel and test its protocols to ensure it is prepared for an incident. If South Bow responds to an actual incident, it hosts meaningful after-action assessments to support a culture of learning and continuous improvement.

Internal Root Cause Analysis

South Bow also has an internal root cause analysis process to collect learnings from minor events that would not receive a formal investigation as part of the Emergency Management Program and incorporate the learnings into procedures and work practices. Process safety events are classified based on the potential to escalate from a minor incident to something more severe or a repetitive pattern of small-scale incidents. High-potential process safety events are reviewed by leadership, driving actions and innovative solutions that go beyond repair and replacement to permanent improvements.

Pipeline and Facility Integrity

An integral component of South Bow's safety culture is its focus on pipeline and facility integrity, which is critical to managing the loss of containment risk that can have drastic consequences on life, property, and the environment. South Bow maintains a core pipeline integrity team with subject matter expertise to ensure that it is positioned to proactively respond to emerging integrity threats along its pipelines and at pump stations and terminals. South Bow also fosters a culture of continuous learning and improvement, which seeks to develop new technologies, while reviewing, adjusting, and implementing program advancements.

South Bow expects pipeline integrity spending to fluctuate based on the results of ongoing risk assessments conducted on its pipeline systems and evaluations of information obtained from recent inspections, incidents, and maintenance activities. Pipeline and facility integrity expenditures are primarily recovered through a flow-through tolling mechanism. Spending associated with process safety and integrity will be used to minimize risk to employees, contractors, the public, equipment, and the surrounding environment, and also prevent disruptions to serving the energy needs of South Bow's customers.

Environmental Risk, Compliance, and Liabilities

Through the implementation of OMS, South Bow proactively and systematically manages environmental hazards and risks throughout the lifecycle of its assets. South Bow's primary sources of risk related to the environment include:

- changing regulations and requirements coupled with increased costs related to impacts on the environment;
- product releases, including crude oil and diluent, which may cause harm to the environment (land, water, and air);
- use, storage and disposal of chemicals and hazardous materials; and
- natural disasters and other catastrophic events that may impact South Bow's operations.

South Bow's assets are subject to federal, state, provincial, and local environmental statutes and regulations governing environmental protection, including air and GHG emissions, water quality, species at risk, wastewater discharges, and waste management. Monitoring and reporting programs for environmental performance in day-to-day operations and project development, as well as inspections and assessments, are designed to provide assurance that environmental and regulatory standards are met.

Operating South Bow's assets requires obtaining and complying with a wide variety of environmental regulations, licenses, permits, and other approvals and requirements. Failure to comply could result in administrative, civil, or criminal penalties, remedial requirements, or orders affecting future operations. The OMS includes requirements for South Bow to continually monitor its facilities for compliance with all material legal and regulatory environmental requirements across all jurisdictions where it operates. South Bow complies with all material legal and regulatory permitting requirements in its project routing and development. South Bow routinely monitors proposed changes to environmental policy, legislation, and regulation. Where the risks are uncertain or have the potential to affect South Bow's ability to effectively operate its business, South Bow comments on proposals independently or through industry associations.

Other than orders and claims relating to the Milepost 14 incident, South Bow is not aware of any material outstanding orders, claims, or lawsuits against it related to releasing or discharging any material into the environment or in connection with environmental protection. The Separation Agreement contains an indemnity under which TC Energy agreed to indemnify South Bow from certain liabilities associated with the Milepost 14 incident.

Compliance obligations can result in significant costs associated with installing and maintaining pollution controls, fines, and administrative, civil, or criminal penalties resulting from any failure to comply and potential limitations on operations. Remediation obligations can result in significant costs associated with the investigation and remediation of contaminated properties, and with damage claims arising from the contamination of properties. The timing and complete extent of future expenditures related to environmental matters is difficult to estimate accurately because:

- environmental laws and regulations and their interpretations and enforcement change;
- new claims can be brought against South Bow's existing or discontinued assets;
- South Bow's pollution control and clean-up cost estimates may change, especially when its current estimates are based on preliminary site investigations or agreements;
- new contaminated sites may be found or what South Bow knows about existing sites could change; and
- where there is potentially more than one responsible party involved in litigation, South Bow cannot estimate its joint and several liability with certainty.

Social Policies

South Bow's governance practices comply with the NYSE standards for U.S. companies in all significant respects. As a non-U.S. company, South Bow is not required to comply with most of the governance listing standards of the NYSE. As a foreign private issuer, however, South Bow must disclose how its governance practices differ from those followed by U.S. companies that are subject to the NYSE standards. South Bow's governance practices do not significantly differ from those required to be followed by U.S. domestic issuers under the NYSE's listing standards. A summary of South Bow's governance practices compared to U.S. standards can be found on its website at www.southbow.com.

Code of Business Ethics

South Bow has adopted a Code of Business Ethics ("COBE"), which applies to all employees, officers and directors, and contractors of South Bow and its wholly owned subsidiaries and operated entities in countries where it conducts business, with the exception of independently operated entities whose corporate governance documents meet or exceed South Bow's requirements. Annual online COBE training is provided to all employees and contractors, and all employees (including executive officers), directors, and contractors are required to certify their compliance with COBE annually.

Avoiding Bribery and Corruption Program

South Bow has also adopted an Avoiding Bribery and Corruption Program, which includes an Avoiding Bribery and Corruption Policy, annual online training included as part of annual online COBE training, instructor-led training provided to personnel in higher risk areas of its business, a supplier and contractor due diligence review process, and auditing of certain types of transactions.

Stakeholder Engagement

South Bow is proud of the relationships it has built with stakeholders and rightsholders across Canada and the U.S. and believes that these relationships are critical to its success. South Bow's approach to engagement with Indigenous groups, landowners, and other stakeholders who may be affected by South Bow's activities is guided by a principled approach that considers the foundations of respect, trust, and transparency. South Bow strives to listen, provide accurate information, and respond to interests in a prompt and consistent manner.

South Bow acknowledges the unique rights of Indigenous Peoples and seeks to listen and understand in order to incorporate their traditional and local knowledge in project design and planning. South Bow seeks to establish partnerships and collaborate by supporting community-driven development and initiatives that contribute to the well-being and sustainability of Indigenous communities.

South Bow also employs programs that direct how it engages with other stakeholders including landowners, communities, and governments. South Bow works to understand and mitigate the complexity of sustainability issues and the interconnectivity of these issues as they relate to its business. These matters are of great importance to Indigenous groups and stakeholders and have an impact on South Bow's ability to build and operate energy infrastructure.

Specialized Skill and Knowledge

All aspects of South Bow's business require specialized skills and knowledge. Such skills and knowledge include the areas of pipeline and facility design, engineering, construction, and operations; energy market fundamentals; law and regulation; and commercial operations and negotiations. South Bow relies upon Management, employees and various consultants for such expertise in addition to new hires as they are required for the operation and management of South Bow's business. South Bow is committed to enabling opportunities for employees to develop and maintain the necessary skills and knowledge required to effectively perform their roles with South Bow.

Employees

As of December 31, 2024, South Bow and its subsidiaries have a total of approximately 600 employees. The Board evaluates the leadership expertise and skills required to meet South Bow's goals on an ongoing basis.

DESCRIPTION OF CAPITAL STRUCTURE

Share Capital

As of December 31, 2024, South Bow is authorized to issue: (a) an unlimited number of common shares; and (b) first preferred shares and second preferred shares in an amount not to exceed, in aggregate, 20 per cent of the number of issued and outstanding common shares of South Bow. As of December 31, 2024, 208,041,109 common shares of South Bow were issued and outstanding.

Common Shares

The common shares of South Bow entitle the holders thereof to one vote per share at all meetings of South Bow's shareholders, except meetings at which only holders of another specified class of shares are entitled to vote, and, subject to the rights, privileges, restrictions, and conditions attaching to the first preferred shares and the second preferred shares, whether as a class or a series, and to any other class or series of shares of South Bow which rank prior to the common shares, entitle the holders thereof to receive: (a) dividends if, as and when declared by the Board out of the assets of South Bow properly applicable to the payment of the dividends in such amount and payable at such times and at such place or places as the Board may from time to time determine; and (b) the remaining property of South Bow upon a liquidation, dissolution, or winding up of South Bow.

First Preferred Shares

Subject to certain limitations, the Board may, from time to time, issue first preferred shares of South Bow in one or more series and determine for any such series, its designation, number of shares (subject to the limit described below), and respective rights, privileges, restrictions, and conditions. The first preferred shares as a class have, among others, the provisions described below.

The first preferred shares of each series rank on a parity with the first preferred shares of every other series, and are entitled to preference over the common shares, the second preferred shares and any other shares ranking junior to the first preferred shares with respect to the payment of dividends, the repayment of capital, and the distribution of assets of South Bow in the event of its liquidation, dissolution, or winding up.

Except as provided by the CBCA, the holders of the first preferred shares will not have any voting rights nor will they be entitled to receive notice of or to attend meetings of South Bow's shareholders. The holders of any particular series of first preferred shares will, if the directors so determine prior to the issuance of such series, be entitled to such voting rights as may be determined by the Board if South Bow fails to pay dividends on that series of first preferred shares for any period as may be so determined by the Board. South Bow currently does not intend to issue any first preferred shares with voting rights, and any issuances of first preferred shares are expected to be made only in connection with corporate financings. South Bow does not intend to use first preferred shares or second preferred shares as a defensive tactic to block a take-over bid.

The provisions attaching to the first preferred shares as a class may be modified, amended or varied only with the approval of the holders of the first preferred shares as a class. Any such approval to be given by the holders of the first preferred shares may be given by the affirmative vote of the holders of not less than 66 2/3 per cent of the first preferred shares represented and voted at a meeting or adjourned meeting of such holders.

The aggregate number of first preferred shares and second preferred shares outstanding may not exceed 20 per cent of the aggregate number of the then outstanding common shares of South Bow.

Second Preferred Shares

The rights, privileges, restrictions and conditions attaching to the second preferred shares of South Bow are substantially identical to those attaching to the first preferred shares of South Bow, except that the second preferred shares rank junior to the first preferred shares with respect to the payment of dividends, repayment of capital, and the distribution of assets of South Bow in the event of a liquidation, dissolution, or winding up of South Bow.

Options to Purchase Common Shares

As of December 31, 2024, South Bow had an aggregate of 781,250 stock options outstanding, each entitling the holder thereof to acquire one common share of South Bow subject to and in accordance with the terms thereof. Pursuant to the Spinoff, South Bow employees exchanged their stock options of TC Energy for South Bow Stock Options governed by the Stock Option Plan. The executive officers, employees, and consultants of South Bow owned, in aggregate, 585,257 stock options of TC Energy, which were exchanged for 1,251,950 South Bow Stock Options pursuant to the Spinoff. Other than Stock Options issued in exchange for stock options of TC Energy pursuant to the Spinoff, South Bow does not expect to issue Stock Options as part of its long-term incentive program. As of December 31, 2024, the following table sets forth information with respect to the Stock Options issued pursuant to the Spinoff:

Group	Number of South Bow Common Shares under Option	Exercise Price per Stock Option[1]	Expiry Dates
Non-employee Directors (0 Total)	—	—	—
Executive Officers (8 Total)	781,250	C$26.49 to C$35.09	Feb. 20, 2027 to Feb. 16, 2030
Employees	—	—	—

1. For purposes of the exchange of TC Energy stock options for South Bow Stock Options pursuant to the Plan of Arrangement, the exercise price of each such South Bow stock option is equal to the original exercise price of the TC Energy stock option exchanged therefor divided by the applicable exchange ratio (rounded up to the nearest whole cent).

Revolving Credit Facility

The Revolving Credit Facility became available to South Bow upon completion of the Spinoff and provides for aggregate commitments of C$2.0 billion (or the equivalent amount in U.S. dollars). South Bow is, however, entitled to, at any time and from time to time, increase the commitments available under the Revolving Credit Facility and the maximum principal amount of the Revolving Credit Facility up to an additional C$500 million (or the equivalent amount in U.S. dollars) by adding additional financial institutions as lenders or by increasing the commitments of existing lenders with the consent of such additional financial institutions and increasing lenders, or any combination thereof, subject to customary uncommitted accordion provisions.

The Revolving Credit Facility matures on October 1, 2028, the fourth anniversary of its effective date (the "Revolving Credit Facility Maturity Date"), provided, however, that South Bow may request the extension of the Revolving Credit Facility Maturity Date to a date not later than four years after the date of such extension. If the requisite majority of lenders agree to any requested extension, the Revolving Credit Facility Maturity Date of the agreeing lenders will be extended, and the Revolving Credit Facility Maturity Date of any non-extending lenders shall not be extended.

The Revolving Credit Facility is guaranteed by HoldCo, U.S. LiquidsCo, and Canadian LiquidsCo and certain restricted subsidiaries. South Bow has also guaranteed the Revolving Credit Facility.

In addition to customary negative and affirmative covenants, the credit agreement in respect of the Revolving Credit Facility contains financial covenants which provide that: (a) South Bow's consolidated net debt-to-capitalization ratio cannot exceed 65 per cent; and (b) South Bow's interest coverage ratio cannot be less than 2.50:1.00, in each case, tested quarterly as of the last date of each fiscal quarter on a trailing-four fiscal quarter basis.

Notes

On August 28, 2024, U.S. LiquidsCo and Canadian LiquidsCo issued the following notes for approximately $5.8 billion U.S. dollar-equivalent (C$7.9 billion Canadian dollar-equivalent) in aggregate principal amount (the "Notes") pursuant to the Notes Offering:

- $700 million in aggregate principal amount of 4.911 per cent senior unsecured notes that will mature on September 1, 2027 (the "2027 Notes"); $1,000 million in aggregate principal amount of 5.026 per cent senior unsecured notes that will mature on October 1, 2029 (the "2029 Notes"); $1,250 million in aggregate principal amount of 5.584 per cent senior unsecured notes that will mature on October 1, 2034 (the "2034 Notes"); and $700 million in aggregate principal amount of 6.176 per cent senior unsecured notes that will mature on October 1, 2054 (the "2054 Notes"), issued by U.S. LiquidsCo.
- C$450 million in aggregate principal amount of 4.323 per cent senior unsecured notes that will mature on February 1, 2030 (the "2030 Notes"); C$500 million in aggregate principal amount of 4.616 per cent senior unsecured notes that will mature on February 1, 2032 (the "2032 Notes"); and C$500 million in aggregate principal amount of 4.933 per cent senior unsecured notes that will mature on February 1, 2035 (the "2035 Notes" and, together with the 2027 Notes, the 2029 Notes, the 2034 Notes, the 2054 Notes, the 2030 Notes, and the 2032 Notes, the "Senior Notes"), issued by Canadian LiquidsCo.
- $450 million in aggregate principal amount of 7.625 per cent junior subordinated notes that will mature on March 1, 2055 (the "Series 1 Notes") and $650 million in aggregate principal amount of 7.500 per cent junior subordinated notes that will mature on March 1, 2055 (the "Series 2 Notes" and, together with the Series 1 Notes, the "Junior Subordinated Notes"), issued by Canadian LiquidsCo.

The net proceeds of the Notes Offering were released to South Bow upon the completion of the Spinoff and were used to repay indebtedness owed by South Bow and its subsidiaries to TC Energy and its subsidiaries.

Senior Notes

The Senior Notes are the applicable issuer's senior unsecured obligations and rank equal in right of payment with all the applicable issuer's existing and future senior indebtedness. The Senior Notes rank senior in right of payment to all of the applicable issuer's future indebtedness that is expressly subordinated in right of payment to the notes (including the Junior Subordinated Notes). The Senior Notes are effectively subordinated to all of the applicable issuer's future secured indebtedness, to the extent of the value of the assets securing that indebtedness. In addition, the Senior Notes are subordinated to all existing and future indebtedness and other liabilities of the applicable issuer's subsidiaries, which are distinct legal entities having no obligation to pay any amounts in respect of the notes or to make funds available for such purpose.

Each of HoldCo, Canadian LiquidsCo (in respect of the 2027 Notes, the 2029 Notes, the 2034 Notes, and the 2054 Notes only), and U.S. LiquidsCo (in respect of the 2030 Notes, the 2032 Notes, and the 2035 notes only), and South Bow, fully and unconditionally guaranteed, on a senior unsecured basis, the Senior Notes (the "Senior Notes Guarantees"). The Senior Notes Guarantees rank senior in right of payment to all of the indebtedness of such guarantors that is expressly subordinated in right of payment to the Senior Notes Guarantees (including, the Junior Subordinated Notes and guarantees in respect thereto), rank equal in right of payment to the prior payment in full of the existing and future indebtedness of such guarantors that is not so subordinated and are effectively subordinated to any secured indebtedness of such guarantors, to the extent of the value of the assets securing such indebtedness. In addition, the Senior Notes Guarantees are structurally subordinated to all existing and future indebtedness and other liabilities of such guarantors' subsidiaries that do not guarantee the Senior Notes.

The indentures governing the Senior Notes limit South Bow's ability to:

- create liens without equally and ratably securing the notes; and
- engage in certain sale and leaseback transactions.

Such indentures also limit South Bow's ability to consolidate, merge, or transfer all or substantially all of its assets.

The Senior Notes, Senior Notes Guarantees, and the applicable indentures do not limit the amount of senior indebtedness that South Bow may incur or the amount of other indebtedness or liabilities that South Bow or its subsidiaries may incur, and do not contain any financial or other similar restrictive covenants.

Junior Subordinated Notes

The Junior Subordinated Notes are unsecured and rank junior and subordinate in right of payment to the prior payment in full of Canadian LiquidsCo's existing and future senior indebtedness (including the Senior Notes). The Junior Subordinated Notes rank equal in right of payment with any unsecured subordinate indebtedness that Canadian LiquidsCo may incur from time to time if the terms of such indebtedness provide that it ranks equal with the Junior Subordinated Notes in right of payment. In addition, the Junior Subordinated Notes are structurally subordinated to all existing and future indebtedness and other liabilities of Canadian LiquidsCo's subsidiaries that do not guarantee the Junior Subordinated Notes. The Junior Subordinated Notes rank senior to Canadian LiquidsCo's common shares and preferred shares as to the distribution of Canadian LiquidsCo's assets in the event of Canadian LiquidsCo's bankruptcy or insolvency.

Each of Holdco, U.S. LiquidsCo, and South Bow, fully and unconditionally guaranteed, on a subordinate unsecured basis, the Junior Subordinated Notes (the "Junior Subordinated Notes Guarantees"). The Junior Subordinated Notes Guarantees are unsecured and rank junior and subordinate in right of payment to the prior payment in full of such guarantors' existing and future senior indebtedness (including, the Senior Notes and guarantees in respect thereto). The Junior Subordinated Notes Guarantees rank equal in right of payment with any unsecured subordinate indebtedness that such guarantors may incur from time to time if the terms of such indebtedness provide that it ranks equal with the Junior Subordinated Notes Guarantees in right of payment. In addition, the Junior Subordinated Notes Guarantees are structurally subordinated to all existing and future indebtedness and other liabilities of such guarantors' subsidiaries that do not guarantee the Junior Subordinated Notes. The Junior Subordinated Notes Guarantees rank senior to such guarantors' common shares and preferred shares as to the distribution of such guarantors' assets in the event of their bankruptcy or insolvency.

The Junior Subordinated Notes, the Junior Subordinated Notes Guarantees, and the applicable indenture do not limit the amount of senior indebtedness that South Bow may incur or the amount of other indebtedness or liabilities that South Bow or its subsidiaries may incur, and do not contain any financial or other similar restrictive covenants.

DIVIDENDS AND DISTRIBUTIONS

The declaration of dividends is at the sole discretion of South Bow's board of directors; provided that certain provisions of South Bow's Revolving Credit Facility can restrict South Bow's ability to declare and pay dividends or make distributions under certain circumstances. The dividends declared by South Bow are set out in the "*Common Shares*" section of the MD&A under the heading *"Dividends Declared"*, which is incorporated by reference herein. Any future payment of dividends will depend, among other things, upon South Bow's earnings, capital requirements, and operating and financial condition.

The following table shows the amounts and timing of dividends per share declared by South Bow.

$/share	2024	2023	2022
January			
February			
March			
April			
May			
June			
July			
August			
September			
October [1]	—		
November	0.50		
December	—		
Total	0.50		

1. The Spinoff was completed on October 1, 2024.

MARKET FOR SECURITIES

No common shares of South Bow were issued prior to the completion of the Spinoff. The common shares of South Bow are listed on the TSX and NYSE. The trading symbol for the common shares of South Bow is "SOBO" on the TSX and the NYSE. The following table sets forth on a monthly basis, the high and low market prices, market closing prices, and trading volumes for the common shares of South Bow for the year ended December 31, 2024. The common shares of South Bow commenced trading on a when-issued basis on the TSX on September 25, 2024 until October 1, 2024, and commenced trading regular-way on October 2, 2024. There was no when-issued market for the common shares of South Bow on the NYSE and regular-way trading of the common shares of South Bow on the NYSE commenced on October 8, 2024.

	TSX				NYSE			
	High (C$)	Low (C$)	Close (C$)	Volume (# of shares)	High ($)	Low ($)	Close ($)	Volume (# of shares)
January								
February								
March								
April								
May								
June								
July								
August								
September	31.00	27.90	29.25	1,461,920				
October	36.11	28.45	34.77	66,220,804	26.11	21.12	24.96	19,746,943
November	38.21	31.87	36.96	24,599,122	27.30	22.98	26.05	14,926,991
December	36.93	32.73	33.92	39,818,610	26.29	22.75	23.57	18,475,585

1. Source: FactSet.

CREDIT RATINGS

South Bow has been assigned an issuer credit rating of BBB- (Stable) by S&P, Baa3 (Stable) by Moody's, and BBB- (Stable) by Fitch. The following table sets out the current credit ratings assigned to those outstanding classes of securities of South Bow and, following completion of the Spinoff, certain of its subsidiaries, which have been rated by S&P, Moody's, and Fitch:

Rating Agency	S&P	Moody's	Fitch
Revolving Credit Facility	—	—	BBB- (Stable)
U.S. LiquidsCo			
Senior Notes	BBB- (Stable)	Baa3 (Stable)	BBB- (Stable)
Canadian LiquidsCo			
Senior Notes	BBB- (Stable)	Baa3 (Stable)	BBB- (Stable)
Junior Subordinated Notes	BB (Stable)	Ba1 (Stable)	BB (Stable)

The issuer ratings address the overall credit strength of South Bow, without consideration for security or ranking of security or ranking of any particular indebtedness. Credit ratings on long-term debt securities are intended to provide investors with an independent measure of credit quality of any issue of debt securities. The credit ratings assigned by the rating agencies are not recommendations to buy, sell, or hold the Senior Notes, Junior Subordinated Notes, or other securities of South Bow and may be subject to revision or withdrawal at any time by the applicable credit rating organization.

S&P's issuer credit ratings range from AAA to D, representing the range from highest to lowest quality of creditworthiness. Ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories. A rating of BBB- by S&P is within the fourth highest of 10 rating categories. A BBB rating indicates the obligor's capacity to meet its financial commitment is adequate; however, the obligation is more subject to the adverse effects of changes in circumstances and economic conditions than obligations in higher rated categories.

S&P's credit ratings on long-term debt securities range from AAA to D, representing the range of such securities rated from highest to lowest quality of creditworthiness. Ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories. A rating of BBB- is in the fourth highest of 10 rating categories and indicates these obligations exhibit adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation. The BB rating assigned to the Junior Subordinated Notes is within the fifth highest of 10 categories. Obligations rated BB, B, CCC, CC, and C are regarded as having significant speculative characteristics, with BB indicating the least degree of speculation and C indicating the highest. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions. A BB rating indicates that the obligation is less vulnerable to non-payment than other speculative issues; however, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions, which could lead to the issuer's inadequate capacity to meet its financial commitment on the obligation. S&P's stable outlook indicates that the ratings are not likely to change (generally up to two years).

Moody's issuer and long-term debt securities credit ratings range from Aaa to C, representing the range from highest to lowest quality of creditworthiness. For rating categories Aa through Caa, Moody's appends the numerical modifiers 1, 2, or 3 to each generic rating classification. Modifier 1 indicates that the obligation ranks at the higher end of its generic rating category, modifier 2 indicates a mid-range ranking, and modifier 3 indicates a ranking at the lower end of that generic rating category. A rating of Baa3 by Moody's is within the fourth-highest of nine categories. Obligations rated Baa are judged to be medium-grade and are subject to moderate credit risk, and as such, may possess certain speculative characteristics. The Ba1 rating assigned to the Junior Subordinated Notes is within the fifth-highest of nine categories. Obligations rated Ba are judged to have speculative elements and are subject to substantial credit risk. A Moody's rating outlook is an opinion regarding the likely rating direction over the medium term. A stable outlook indicates that the rating is not likely to change over the medium term.

Fitch's issuer and long-term debt securities credit ratings range from AAA to BBB (investment grade) and BB to D (speculative grade), representing the range from highest to lowest quality of creditworthiness. The terms "investment grade" and "speculative grade" are market conventions and do not imply any recommendation or endorsement of a specific security for investment purposes. Investment-grade categories indicate relatively low-to-moderate credit risk, while ratings in the speculative categories signal either a higher level of credit risk or that a default has already occurred. For rating categories AA through CCC, Fitch appends a plus (+) or minus (-) to sign to indicate relative differences of probability of default or recovery for issues.

A rating of BBB- by Fitch is within the fourth-highest of 10 categories. A BBB rating indicates that expectations of default risk are currently low and that the capacity for payment of financial commitments is considered adequate; however, adverse business or economic conditions are more likely to impair this capacity. The BB rating assigned to the Junior Subordinated Notes is within the fifth-highest of 10 categories. A BB rating indicates an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial flexibility exists that supports the servicing of financial commitments. Fitch's ratings outlooks indicate the direction a rating is likely to move over a one- to two-year period. A stable outlook indicates that the rating is not likely to change over a one- to two-year period.

South Bow has paid customary fees to S&P, Moody's, and Fitch in connection with the above mentioned credit ratings. South Bow did not make any payments to S&P, Moody's, or Fitch in respect of any service unrelated to the provision of such credit ratings during the last two years.

PRINCIPAL SHAREHOLDERS

To the knowledge of South Bow, there is no person or company that beneficially owns, directly or indirectly, or exercises control or direction over, common shares of South Bow carrying more than 10 per cent of the voting rights attached to the common shares of South Bow.

DIRECTORS AND EXECUTIVE OFFICERS

As at the date of this AIF, the directors and executive officers of South Bow, as a group, beneficially own, control or direct, directly or indirectly, an aggregate of 239,829 common shares of South Bow, representing approximately 0.115 per cent of the issued and outstanding common shares of South Bow.

Directors

The following table sets forth the name of each of the individuals who serve as a director of South Bow, together with their jurisdiction of residence and their principal occupations or employment during the past five years. Each director holds office until the next annual meeting or until their successor is earlier elected or appointed, unless: (a) their office is earlier vacated in accordance with the articles of South Bow; or (b) they become disqualified to act as a director.

Name and Province or State and Country of Residence [1]	Principal Occupation or Employment for the Last Five Years
Harold (Hal) N. Kvisle Alberta, Canada	Corporate Director. Mr. Kvisle currently serves as Board Chair for ARC Resources Ltd. (oil and gas, exploration and production) and as a Director for Finning International Inc. (construction equipment).
Chansoo Joung Wyoming, United States	Corporate Director. Mr. Joung currently serves as Director for APA Corporation (oil and gas, exploration and production). Previously, he also served as Director for Magellan Midstream Partners, L.P. (pipeline operator).
George Lewis Ontario, Canada	Corporate Director. Mr. Lewis currently serves as a Director and Chair of the Risk Committee for Legal & General Group Plc (insurer and asset manager). He also serves as Director and Chair of the Investment Committee for the Ontario Teachers' Pension Plan (pension fund), Director and Chair of the Audit Committee for the AOG Group (private European-based investment company), and as a Director of James Richardson and Sons, Limited (family holding company). Previously, he served as a Director and Chair of the Audit and Risk Committee for Ontario Power Generation Inc. (nuclear and hydroelectric generation), as a Director and Chair of the Audit Committee of Enbridge Income Fund Holdings Inc. (energy infrastructure), and as a Director of Cenovus Energy Inc. (oil and gas production).
Leonard Mallett Texas, United States	Corporate Director. Mr. Mallett currently serves as a Director for Archrock, Inc. (energy infrastructure). Previously, he served as a Director and Executive Vice President, Chief Operating Officer, and Interim Chief Executive Officer of Summit Midstream GP, LLC (midstream provider of natural gas, oil, and water gathering services).
Robert (Bob) G. Phillips Texas, United States	Corporate Director. Mr. Phillips is the former founder, Chairman, and Chief Executive Officer of Crestwood Equity Partners LP (oil and natural gas pipelines and storage and related facilities), acquired by Energy Transfer LP in 2023.
Sonya M. Reed Texas, United States	Corporate Director. Ms. Reed currently serves as a Director for DNOW Inc. (downstream energy and industrial products distributor). Previously, she was the Senior Vice President and Chief Human Resources Officer of Phillips 66 (oil and gas).
Shannon Ryhorchuk Alberta, Canada	Corporate Director. Ms. Ryhorchuk currently serves as Director and Chair of the Finance, Audit and Risk Committee at Canadian Partnership Against Cancer, and as Director and Chair of the Finance and Audit Committee at WINS (Women In Need Society). She is a former partner of PricewaterhouseCoopers LLP (audit and assurance services).
Mary Pat Salomone Florida, United States	Corporate Director. Ms. Salomone currently serves as a Director for TC Energy. Previously, she served as Director for Intertape Polymer Group (manufacturing) and Herc Rentals (rental equipment).
Frances M. Vallejo Texas, United States	Corporate Director. Ms. Vallejo currently serves as a Director for Expro Group Holdings N.V. (energy services) and Coterra Energy Inc. (oil and gas, exploration and production). Previously, she served as a Director of Crestwood Equity Partners LP.
Bevin Wirzba Alberta, Canada	Mr. Wirzba currently serves as President and Chief Executive Officer ("CEO") of South Bow. Previously, he served as Executive Vice-President and President, Liquids Pipelines of TC Energy.
Don Wishart British Columbia, Canada	Corporate Director. Mr. Wishart previously served as the Chairman of Bruce Power (electrical energy producer) and as a Director for Shawcor Ltd. (material sciences).

1. The information as to province or state and country of residence and principal occupation has been furnished by the respective directors individually.

Cease Trade Orders, Bankruptcies, Penalties, or Sanctions

To the knowledge of South Bow, no director or executive officer of South Bow is, as at the date of this AIF, or was, within 10 years before the date of this AIF, a director, CEO or Chief Financial Officer ("CFO") of any company (including South Bow), that: (a) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under the securities legislation, for a period of more than 30 consecutive days; or (b) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under the securities legislation that was issued after the director or executive officer ceased to be a director, CEO, or CFO and which resulted from an event that occurred while that person was acting in the capacity as director, CEO, or CFO.

To the knowledge of South Bow, no director or executive officer of South Bow, or a shareholder holding a sufficient number of securities of South Bow to affect materially the control of South Bow: (a) is, as at the date of this AIF, or has been within 10 years before the date of this AIF, a director or executive officer of any company (including South Bow) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager, or trustee appointed to hold its assets; or (b) has, within 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement, or compromise with creditors, or had a receiver, receiver manager, or trustee appointed to hold the assets of the director, executive officer, or shareholder.

To the knowledge of South Bow, no director, or executive officer of South Bow, or a shareholder holding a sufficient number of securities of South Bow to affect materially the control of South Bow, has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

Certain of the directors and executive officers of South Bow are officers and directors of, or are associated with, other public and private companies, including TC Energy. Such associations may give rise to conflicts of interest with South Bow from time to time. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the CBCA and South Bow's policies governing directors and executive officers, as further described in this AIF under *Social Policies – Code of Business Ethics*.

SOUTH BOW BOARD COMMITTEES

South Bow has four standing committees of the Board: the Audit Committee, the Governance and Risk Committee, Human Resources Committee, and the Safety, Environment and Operations Committee. Mr. Wirzba, as President and CEO of South Bow, and Mr. Kvisle, as Board Chair of South Bow, are not a members of any Board committees but are invited to attend committee meetings as required. The voting members of each of these committees, as of the date of this AIF, are identified below. Information about the Audit Committee can be found in this AIF under the heading Audit Committee.

Director	Audit Committee	Governance and Risk Committee	Human Resources Committee	Safety, Environment and Operations Committee
Harold (Hal) N. Kvisle				
Chansoo Joung	x	x		
George Lewis	x	Chair		
Leonard Mallett			x	x
Robert (Bob) G. Phillips			x	x
Sonya M. Reed		x	Chair	
Shannon Ryhorchuk	Chair			x
Mary Pat Salomone		x		x
Frances M. Vallejo	x	x		
Don Wishart			x	Chair

Audit Committee

Overview

South Bow's Audit Committee is responsible for assisting the Board in overseeing the integrity of South Bow's financial statements and South Bow's compliance with legal and regulatory requirements. The Audit Committee is also responsible for overseeing and monitoring the accounting and reporting process and the process, performance, and independence of South Bow's external auditors.

Audit Committee Charter

The Board adopted a charter of the Audit Committee substantially in the form attached as *Appendix A* to this AIF.

Composition of the Audit Committee and Independence

The Audit Committee consists of Shannon Ryhorchuk (Chair), Chansoo Joung, George Lewis, and Frances M. Vallejo. *National Instrument 52-110 Audit Committees* (“NI 52-110”) provides that a member of an audit committee is "independent" if the member has no direct or indirect material relationship with South Bow, which could, in the view of South Bow's board of directors, reasonably interfere with the exercise of the member's independent judgment. All members of the Audit Committee are "independent" directors under the requirements of NI 52-110, Rule 10A-3 under the U.S. Exchange Act, and Section 303A of the NYSE Listed Company Manual.

Relevant Education and Experience

NI 52-110 provides that an individual is "financially literate" if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements. All of the members of the Audit Committee are "financially literate" under the requirements of NI 52-110, and the NYSE Listed Company Manual, and all of the members of the Audit Committee are considered to be "audit committee financial experts" as that term is used in the U.S. Exchange Act.

The following is a description of the education and experience of each member of the Audit Committee that is relevant to the performance of his or her responsibilities as a member of the Audit Committee.

Shannon Ryhorchuk (Chair)

Ms. Ryhorchuk was a Partner of PricewaterhouseCoopers LLP ("PwC") where she specialized in providing audit and assurance services. Ms. Ryhorchuk holds the distinction of being the former leader of PwC Canada's National Independence Office and a member of PwC's Global Network Independence leadership team. She also served as the Managing Partner of the Calgary Assurance Practice from 2011 to 2017 and was a member of PwC Canada's National Assurance Leadership Team. Ms. Ryhorchuk holds a Bachelor of Commerce from the University of Saskatchewan and is a Chartered Professional Accountant (CPA) and Chartered Accountant (CA). She is a Fellow of the Institute of Chartered Professional Accountants and has earned the ICD.D designation from the Institute of Corporate Directors.

Chansoo Joung

Mr. Joung has served as a director of APA Corporation since February 2011 and is Chair of its Audit Committee. From 2005 to 2015, Mr. Joung worked first as a Partner and then as a Senior Advisor at Warburg Pincus LLC, where he managed investments across the energy and clean energy sectors. From 1987 to 2004, he held increasingly senior positions at Goldman Sachs, culminating his 17-year career there as Head of the Americas Energy and Power investment banking group. Mr. Joung has a Master of Business Administration from Dartmouth College.

George Lewis

Mr. Lewis was a member of the Royal Bank of Canada ("RBC") Group Executive Board from 2007 until 2015, with responsibility for RBC's wealth, asset management, and insurance segments. He joined RBC in 1986, serving in various financial and wealth management roles. Mr. Lewis earned a Bachelor of Commerce degree from Trinity College at the University of Toronto and a Master of Business Administration from Harvard University. He is a Fellow of the Institute of Chartered Accountants (FCA) and a CFA charter-holder.

Frances M. Vallejo

Ms. Vallejo is a former executive officer of ConocoPhillips where she began her career in 1987. She served as Vice President of Corporate Planning and Development from April 2015 until December 2016 and as Vice President and Treasurer from October 2008 until March 2015. Prior to October 2008, she served as General Manager of Corporate Planning and Budgets, Vice President of Upstream Planning and Portfolio Management, Assistant Treasurer, Manager of Strategic Transactions, and in other finance roles. Ms. Vallejo holds a Master of Business Administration from Rice University, where she was named a Jones Scholar.

Pre-approval Policies and Procedures

The Audit Committee maintains a pre-approval policy with respect to permitted non-audit services and audit services. For non-audit service engagements of up to five per cent of the total fees paid by the Company and its subsidiaries to the external auditor during the fiscal year in which the non-audit services are provided, approval of the Chair of the Audit Committee is required, and the Audit Committee is to be informed of the engagement at the next scheduled Audit Committee meeting. For all non-audit service engagements of an amount higher than five per cent of the total fees paid by the Company and its subsidiaries to the external auditor during the fiscal year in which the non-audit services are provided, pre-approval of the Audit Committee is required.

Audit Fees

The following table lists the fees paid to KPMG LLP by category, for the current fiscal year:

Canadian dollars	**2024**
Audit Fees	1,790,500
Audit-related fees	—
Tax Fees	—
Other Fees	—
Total	**1,790,500**

RISK FACTORS

The risks set out below are not an exhaustive list and should not be taken as a complete summary or description of all of the risks associated with South Bow's business and its industry generally. Any of the following risks could materially and adversely affect South Bow's business, financial condition, or results of operations. Additional risks and uncertainties not currently known to South Bow or those it currently views to be immaterial may also materially and adversely affect South Bow's business, financial condition, or results of operations.

Risks Relating to the Spinoff

Transition Services Risks

TC Energy and South Bow are providing each other, on a transitional basis, certain services to facilitate the orderly transfer of the Liquids Pipelines business to South Bow. These services may require South Bow to divert its resources from its business, which in turn may negatively impact its business, financial condition and results of operations.

Further, South Bow will need to provide internally or obtain from unaffiliated third parties some of the services it currently receives from TC Energy or from third parties pursuant to agreements with third parties, notwithstanding and further to the provision of transitional services and facilities by TC Energy and its affiliates to South Bow and its affiliates pursuant to the Transition Services Agreement. South Bow may be unable to replace these services in a timely manner or on terms and conditions as favourable as those received from TC Energy or as favourable as TC Energy receives from third parties. South Bow may be unable to successfully establish the infrastructure or implement the changes necessary to operate independently or may incur additional costs. If South Bow fails to obtain the services necessary to operate effectively or if it incurs greater costs in obtaining these services, South Bow's business, financial condition and results of operations may be adversely affected.

Tax Treatment of Spinoff

The Canadian tax ruling received from the Canada Revenue Agency in respect of the Spinoff requires, among other things, that the transfer of the "Transferred Property" complies with all requirements of the public company "butterfly" rules in Section 55 of the Tax Act. Although the Spinoff was structured to comply with these rules, there are certain requirements of these rules that depend on events occurring following the Spinoff or that may not be within the control of South Bow. For example, under Section 55 of the Tax Act, TC Energy and/or South Bow will recognize a taxable gain on the transfer by TC Energy of the Transferred Property if: (a) a "specified shareholder" were to exist and such "specified shareholder" disposes of TC Energy or South Bow shares (or property that derives 10 per cent or more of its fair market value from such shares or property substituted therefor) to an unrelated person or partnership as part of the series of transactions, which includes the transfer by TC Energy of the Transferred Property; (b) there is an acquisition of control of TC Energy or of South Bow that is part of the series of transactions that includes the transfer by TC Energy of the Transferred Property; (c) a person unrelated to South Bow acquires in the aggregate (generally otherwise than in the ordinary course of operations of South Bow), as part of the series of transactions that includes the transfer by TC Energy of the Transferred Property, property acquired on the transfer by TC Energy that has a fair market value greater than 10 per cent of the fair market value of all property received by South Bow in the Spinoff; (d) a person unrelated to TC Energy acquires in the aggregate (generally otherwise than in the ordinary course of operations of TC Energy), as part of the series of transactions that includes the transfer by TC Energy of the Transferred Property, property retained by TC Energy in the Spinoff that has a fair market value greater than 10 per cent of the fair market value of all property retained by TC Energy in the Spinoff; or (e) certain persons acquire shares of TC Energy (other than in specified permitted transactions) in contemplation of, and as part of the series of transactions that includes, the transfer by TC Energy of the Transferred Property. If any of the above events were to occur and to cause the Spinoff to be taxable to South Bow under Section 55 of the Tax Act, TC Energy or South Bow, as applicable, and in some cases both TC Energy and South Bow, may be liable for a substantial amount of tax. In addition, if such an event were due to an act of South Bow (or one of its respective affiliates), or an omission by South Bow to act, South Bow would generally be required to indemnify TC Energy for taxes under the Tax Matters Agreement.

Similarly, TC Energy has received the U.S. tax ruling from the Internal Revenue Service ("IRS") on certain issues relating to the qualification of the Spinoff as generally tax-free under Sections 368(a)(1)(D) and 355(a), and related provisions of the U.S. *Internal Revenue Code of 1986* (the "U.S. Tax Ruling"). In addition, as a condition to the Spinoff, TC Energy received an opinion from White & Case LLP, satisfactory to the board of directors of TC Energy, regarding certain U.S. federal income tax matters relating to the Spinoff. The validity of the U.S. Tax Ruling and the opinion of White & Case LLP is based on disclosure of the pertinent facts associated with the Spinoff and representations made to the IRS by TC Energy and South Bow. If any of the facts, assumptions, representations, or undertakings described therein are incorrect or not otherwise satisfied, or to the extent that certain additional transactions are entered into and/or executed by TC Energy or South Bow that are not fully disclosed in the U.S. Tax Ruling, the IRS can, to the extent such deviations from the disclosed facts, assumptions, or undertakings impact the tax treatment of the transaction, retroactively revoke or require modification of the U.S. Tax Ruling. Furthermore, notwithstanding the U.S. Tax Ruling or the opinion of White & Case LLP, there can be no assurance that the IRS will not assert, or that a court would not sustain, a position contrary to one or more of the conclusions in the U.S. Tax Ruling or such opinion. Accordingly, the IRS could determine that the Spinoff should be treated as a taxable transaction if it determines that any of these facts, assumptions, representations, or undertakings is not correct or has been violated or, if a modification is required, such modification may impact the scope of the conclusions in the U.S. Tax Ruling (to the extent such deviations were determinative to the treatment of the transaction as tax-free). Accordingly, there can be no assurance that the intended U.S. tax treatment will be achieved.

Under the expected terms of the Tax Matters Agreement, TC Energy and South Bow are generally required to indemnify the other party against any additional taxes and related amounts resulting from: (a) an acquisition of all or a portion of their respective equity securities or assets, whether by merger or otherwise (and regardless of whether they participated in or otherwise facilitated the acquisition); (b) other actions or failures to act; or (c) any inaccuracy or breach of their respective representations, covenants, or undertakings contained in any of the separation-related agreements and documents or in any documents relating to the tax rulings and/or the opinion(s) of tax advisors. Any such indemnity obligations, including the obligation to indemnify the other party for taxes resulting from the Spinoff and certain related transactions not qualifying as tax-free, could be material.

Post-closing Restrictions on South Bow

To preserve the intended tax treatment of the Spinoff, for a period of time following the Spinoff, South Bow may be prohibited, except in specific circumstances, from taking or failing to take certain actions, including:

- material dispositions of its stock or assets, whether by merger or otherwise;
- issuances of equity securities beyond certain thresholds;
- repurchases of shares of its capital stock;
- ceasing to actively conduct certain aspects of its businesses; and/or
- taking or failing to take any other action that would jeopardize the intended tax treatment of the Spinoff and certain related transactions.

The foregoing restrictions may limit, for a period of time, the ability of South Bow to pursue certain strategic transactions or other transactions that it believes to be in the best interests of its shareholders or that might increase the value of its business. In addition, depending on the circumstances, South Bow may be required to indemnify TC Energy for taxes and certain related amounts resulting from the Spinoff and certain related transactions not qualifying for the intended tax treatment, which could have a substantial negative impact on South Bow's liquidity. See *Indemnification Obligations Following Spinoff*.

Indemnification Obligations Following Spinoff

Pursuant to the Tax Matters Agreement, South Bow agreed to a number of representations, warranties, and covenants, including an obligation to indemnify and hold harmless TC Energy against any loss suffered or incurred resulting from, or in connection with, a breach of certain tax-related covenants. In addition, under the terms of the Separation Agreement, subject to certain exceptions, South Bow has generally agreed to indemnify TC Energy and its affiliates from and against any liabilities that are primarily attributed to the Liquids Pipelines business, whether arising or accruing at, prior to or after completion of the Spinoff and whether the facts on which such liability is based occurred at, prior to or after completion of the Spinoff. South Bow has also agreed to indemnify TC Energy with respect to non-performance of its obligations under the Separation Agreement. Any indemnification claim against South Bow could be substantial, may not be able to be satisfied and may have a material adverse effect upon South Bow.

Risks Relating to the 2024 Annual Financial Statements

South Bow derives its historical financial information on a carve-out basis from TC Energy's consolidated financial statements, which information does not necessarily reflect the results of operations and financial position South Bow would have achieved as an independent, publicly traded company during the periods presented or those that South Bow will achieve in the future. This is primarily because of the following factors:

- Prior to the completion of the Spinoff, the operations of the Liquids Pipelines business were part of the operations of TC Energy's broader corporate organization. South Bow's historical financial information reflects allocations of corporate expenses from TC Energy for administrative and similar functions.

- South Bow's historical financial information does not reflect changes that South Bow expects to experience in the future as a result of its separation from TC Energy, including changes in South Bow's cost structure, personnel needs, tax structure, financing and business operations.
- South Bow and TC Energy entered into the Transition Services Agreement for the provision of certain transitional services and facilities between the parties thereto for which South Bow will be required to pay certain costs. Certain costs incurred by TC Energy, including executive oversight, accounting, treasury, tax, legal, human resources, occupancy, information technology, and other shared services, were historically allocated to the Liquids Pipelines business by TC Energy; but these allocations may not reflect the future level of these costs as South Bow sources these services itself. Therefore, the 2024 Annual Financial Statements may not be indicative of South Bow's future performance as an independent, publicly traded company. South Bow is not able to provide assurance that its operating results will continue at a similar level as an independent, publicly traded company. For additional information about South Bow's past financial performance and the basis of presentation of the financial statements, see the 2024 Annual Financial Statements and the notes thereto.

Risks Relating to Accessing Capital Markets

From time to time, South Bow may need to access the capital markets to obtain long-term and short-term financing. South Bow's access to, and the availability of, financing on acceptable terms and conditions in the future will be impacted by many factors, including South Bow's business prospects and financial performance, its credit ratings, the liquidity of the overall capital markets, and the state of the economy. South Bow is not able to provide assurance that it will have access to the capital markets at the times and in the amounts needed or on terms acceptable to it.

Risks Relating to Operating as Standalone Entity

Upon completion of the Spinoff, South Bow became an independent, publicly traded company. The operating history of TC Energy in respect of the Liquids Pipelines business cannot be regarded as the operating history of South Bow. The ability of South Bow to raise capital, satisfy its obligations, and provide a return to its shareholders will be dependent on future performance. It will not be able to rely on the capital resources and cash flows of TC Energy. Further, as the Spinoff separated the ownership and operation of the Liquids Pipelines business from TC Energy's other business units, the Spinoff has resulted in reduced diversification which, in turn, increases South Bow's net exposure to risks associated with its specific assets and operating environment.

Risks Relating to Pre-emptive Rights

Certain of South Bow's assets, rights and interests, some of which may be material to its business, are subject to rights of first refusal, rights of first offer, and other pre-emptive rights of purchase that were triggered by the Spinoff. In such event, third parties would be entitled to acquire the applicable assets, rights, and interests on the terms set forth in the applicable agreement between South Bow and the third party. Any such exercise of such rights could have a negative impact on South Bow's business, financial condition, and results of operations.

Risks Relating to the Business of South Bow

Risks Relating to Operating the Liquids Pipelines

The transportation of crude oil involves numerous risks, which if materialized may result in incidents or otherwise adversely affect the business, financial condition, and results of operations of South Bow. There are a variety of hazards and operating risks inherent in the transportation and storage of crude oil, including: releases; underperformance or failure of equipment, pipelines and facilities (including as a result of internal or external corrosion, cracking, third-party damage, material defects, operator error, or outside forces), information systems or processes; the compromise of information and control systems; the performance of equipment at levels below those originally intended (whether due to misuse, ordinary course "wear and tear", unexpected degradation or design, construction, or manufacturing defects); failure to maintain adequate supplies of spare parts; labour disputes; disputes with interconnected facilities; operational disruptions, including force majeure events, which may prevent the full utilization of the liquids pipeline systems; and catastrophic events, including, but not limited to, natural disasters, fires, floods, droughts, explosions, earthquakes, acts of terrorism and sabotage, cyber security breaches, and other similar events, many of which are beyond the control of South Bow and all of which could result in damage to assets, related spills, or other environmental issues and operational disruptions. South Bow may also be exposed, from time to time, to other operational risks in addition to the foregoing.

The occurrence or continuance of any of the risks described above could result in serious injury and loss of human life, significant damage to property and natural resources, environmental pollution, significant reputational damage to South Bow and its business, impairment or suspension of operations, fines or other regulatory penalties, costs associated with responding to an investigation or enforcement action brought by a governmental agency, and suspension or revocation of regulatory approvals or imposition of new requirements, any of which could materially adversely affect South Bow's business, financial condition, or results of operations. For sections of any of the liquids pipelines that are located near populated areas, including residential areas, commercial business centers, industrial sites and other public gathering areas, the level of damage resulting from these risks may be greater.

Risks Relating to Crude Oil Supply and Demand

South Bow's liquids pipelines, terminals and other assets and facilities, including the availability of expansion opportunities, depend in part on continued production of crude oil in the markets that they serve. Without development of crude oil reserves, production will decline over time as reserves are depleted. Producers in areas served by South Bow may not be successful in exploring for and developing additional reserves or their costs of doing so may become uneconomic. Commodity prices and tax incentives may not remain at levels that encourage producers to explore for and develop additional reserves or produce existing reserves, which may lead to non-renewal or modification of transportation contracts as they expire. South Bow's business also depends in part on the levels of demand for crude oil in the markets in which the liquids pipelines, terminals, and other facilities deliver or provide service. Decreases in the supply of or demand for crude oil could adversely impact the utilization of South Bow's assets. Changes in supply and demand for crude oil could also adversely impact the price of crude oil that producers receive for their product, which may result in a commensurate reduction in South Bow's revenues, earnings, and cash flows.

Given that crude oil is a global commodity, demand can also be significantly influenced by global market conditions, particularly in key consumption markets such as the U.S. and China, domestic and foreign political conditions, and governmental or regulatory actions (including restrictions or tariffs on the import or export of crude oil). Decreases in demand for crude oil, whether at a global level or in geographic areas South Bow's assets serve, can negatively affect South Bow's business, financial condition, and results of operations.

Economic disruptions, such as those which occurred during the COVID-19 pandemic, or conditions in the business environment generally, such as declining or sustained low commodity prices, supply disruptions, or higher development or production costs, could result in a slowing of supply to South Bow's liquids pipelines, terminals, and other assets. Also, sustained lower demand for hydrocarbons, or changes in the regulatory environment or applicable governmental policies, including in relation to climate change or other environmental concerns, may have a negative impact on the supply of crude oil and other products. In recent years, a number of initiatives and regulatory changes relating to reducing GHG emissions have been undertaken by federal, provincial, state, and municipal governments and crude oil and gas industry participants. In addition, public concern about the potential risks posed by climate change has resulted in increased demand for energy efficiency and a transition to energy provided from renewable energy sources rather than fossil fuels, fuel-efficient alternatives, and pursuit of other technologies to reduce GHG emissions, such as carbon capture and sequestration. There has been and may be further intensification of these trends if and to the extent that federal, provincial, state, and/or municipal governments enact further energy and environmental policies related to climate change.

Each of the foregoing could negatively impact South Bow's business directly, as well as its customers, which in turn could negatively impact South Bow's prospects for new contracts, or renewals of existing contracts or the ability of South Bow's customers to honour their contractual commitments. Furthermore, such unfavourable conditions may compound the adverse effects of larger disruptions such as geopolitical conditions and global pandemics.

South Bow cannot predict the impact of future economic conditions, fuel conservation measures, alternative fuel requirements, governmental regulation, or technological advances in fuel economy and energy generation devices, all of which could reduce the development of and/or demand for South Bow's services.

Risks Relating to the Competitive Industry

Competition is a factor affecting South Bow's existing businesses and its ability to secure new project opportunities. To the extent that any current or future pipeline system or other form of transportation (such as truck, rail, or barge) that delivers crude oil into or from the markets that South Bow serves, at rates or service attributes more desirable than those provided by South Bow, it may result in unutilized capacity. Likewise, to the extent that competing terminals or other storage options offer services at rates or service attributes more desirable than South Bow, it may result in reduced demand for South Bow's services. If capacity on South Bow's assets remains unused, its ability to re-contract for expiring capacity at favourable rates or otherwise retain existing customers could be impaired. Additionally, competition from alternative energy sources may have an adverse effect on the demand for, and production of, the liquids transported and stored by South Bow, which may reduce the demand for South Bow's services. Competition in all of South Bow's businesses, including competition for growth and business opportunities, could have a negative impact on its business, financial condition, or results of operations.

Reliance on Principal Customers

South Bow transports and stores crude oil for several large customers within its areas of operations. A limited number of major customers have in the past and may in the future continue to account for a significant portion of South Bow's revenue. For the year ended December 31, 2024, three major customers accounted for $627 million, $321 million, and $174 million, respectively, in revenues, each representing more than 10 per cent of total revenues from contracts with customers. See *Business of South Bow – Customer Profile*. If for any reason any of such parties are unable to perform their obligations under the various agreements with South Bow, or if any of such parties terminate or do not renew their contractual arrangements with South Bow on favourable terms, its business, financial condition, and results of operations could be adversely affected.

Reliance on Other Facilities and Third-party Services

Certain of South Bow's terminals and pipelines are dependent upon their interconnections with other terminals and pipelines and facilities owned and operated by third parties to reach end markets. Risks may be created as a result of differences in pressures; specifications or capacities which affect operations; planned and unplanned outages or curtailments at third-party facilities that restrict deliveries; and measurement and component balancing errors affecting product deliveries. South Bow is unable to control operations, events, decisions, regulatory actions, or public perceptions with respect to third-party assets and facilities, making the mitigation of these risks challenging. Although South Bow employs strategies to assist in mitigating these risks, including having multiple connections, service arrangements, or transportation alternatives available in order to provide flexibility during curtailments or interruptions, there is no assurance such strategies will be effective. Where such alternatives are not available or are not effective, South Bow's operations may be significantly affected.

Risks Relating to Changes in Tax Laws and Regulations

South Bow operates in countries with differing tax laws and tax rates. South Bow's tax reporting is supported by tax laws in the countries in which it operates and the application of tax treaties between the various countries in which it operates.

Tax laws, regulations, and administrative practices in various jurisdictions may be subject to significant change, with or without notice, due to economic, political, and other conditions, and significant judgment is required in evaluating and estimating South Bow's provision and accruals for these taxes. Such changes could have a material adverse effect on the business, financial condition, and results of operations of South Bow. South Bow's income tax reporting is subject to audit by tax authorities in the countries in which it operates. South Bow's effective tax rate may change from year to year, based on: (a) changes in the mix of activities and income earned among the different jurisdictions in which it operates; (b) changes in tax laws in these jurisdictions; (c) changes in the tax treaties between the countries in which it operates; (d) changes in its eligibility for benefits under those tax treaties; and (e) changes in the estimated values of deferred tax assets and liabilities, which could result in a substantial increase in the effective tax rate on all or a portion of its income.

Risks Relating to Leases and Rights-of-way Access

Certain of South Bow's assets and associated infrastructure are located on lands leased or licensed from third parties and such leases and licenses may need to be renewed from time to time. If leases or licenses are unable to be renewed on terms acceptable to South Bow, it could result in additional costs or impacts to operations related to such leases or licenses. Certain of South Bow's leases include provisions to mitigate against such adverse outcomes. Successful development of new pipelines or extensions to existing pipelines depends in part on securing leases, easements, rights-of-way, permits, and/or licenses from landowners or governmental authorities allowing access for such purposes. The process of securing rights-of-way or similar access is becoming more complex, particularly in more densely populated, environmentally sensitive, and other areas. The inability to secure such rights-of-way or similar access could adversely affect South Bow's business, financial condition, and results of operations.

Throughput Risks

South Bow's pipeline revenue is based on a variety of transportation arrangements. As a result, certain pipeline revenue is dependent upon throughput levels of crude oil. Future throughput will be dependent upon the activities of producers operating in service areas as they relate to exploiting their existing reserve bases and exploring for and developing additional reserves, and technological improvements leading to increased recovery rates. Without reserve additions, or expansion of the service areas, volumes on such pipelines would decline over time as reserves are depleted. As crude oil reserves are depleted, production costs may increase relative to the value of the remaining reserves in place, causing producers to shut-in production or seek out lower cost alternatives for transportation. If, as a result, the level of tolls collected by South Bow decreases, South Bow's business, financial condition, and results of operations could be adversely affected.

Customer Contracts

Throughput on South Bow's pipelines is governed by numerous transportation contracts or tolling arrangements of varying durations with a range of third parties. Any default by counterparties under such contracts or any expiration or early termination of such contracts or tolling arrangements without renewal or replacement on favourable terms may have an adverse effect on South Bow's business and results of operations. In particular, a significant proportion of Keystone's contracts expire in 2031. There is no guarantee that any of the contracts that South Bow currently has in place will be renewed at the end of their term, including on terms favourable to South Bow, or replaced with other contracts on favourable terms in the event of early termination.

Risks Relating to South Bow's Reputation with Key Stakeholders

Reputational risk is the risk that potential market events or events specific to South Bow, or other factors, could result in the deterioration of South Bow's reputation with key stakeholders, including Indigenous Peoples and governmental authorities. The potential for harming South Bow's reputation exists in every business decision of South Bow and all risks can have an impact on reputation, which, in turn, can negatively impact South Bow's business. Reputational risk cannot be managed in isolation from other forms of risk. Credit, market, operational, insurance, liquidity, regulatory, and legal, and technology risks, among others, must all be managed effectively to safeguard South Bow's reputation. South Bow's reputation could also be impacted by the actions and activities of other companies operating in the energy industry, particularly other energy infrastructure providers, over which South Bow has no control. In particular, South Bow's reputation could be adversely impacted by negative publicity related to pipeline incidents, unpopular expansion plans or new projects and due to opposition from organizations opposed to pipeline and fossil fuel energy development. Further, South Bow's reputation could be negatively impacted by changing public attitudes towards climate change and the perceived causes thereof, including the role played by companies in the industry in which South Bow operates. Public opinion may be influenced by certain media and special interest groups' negative portrayal of the industry in which South Bow operates as well as their opposition to future development projects. Negative impacts from a compromised reputation, whether as a result of South Bow's actions or otherwise, could adversely affect South Bow's business, financial condition, and results of operations and reduce South Bow's access to capital.

Risks Relating to the Impact of Non-governmental Organizations on South Bow's Operations

South Bow's operations will at times be subject to public opposition which could expose it to the risk of higher costs, delays, or even project cancellations due to increasing pressure on governments and regulatory bodies by special interest groups, including Indigenous groups, landowners, environmental interest groups (including those opposed to oil and gas production and transportation operations), and other non-governmental organizations, blockades, legal or regulatory actions or challenges, increased regulatory oversight, reduced support of the federal, provincial, state, or municipal governments, and delays in, challenges to, or the suspension or revocation of, regulatory approvals, permits or land access agreements. There is no guarantee that South Bow will be able to satisfy the concerns of governmental agencies, courts, and non-governmental organizations and attempting to address such concerns may require South Bow to incur significant costs and/or delay its operating activities, which could adversely affect South Bow's business, financial condition, and results of operations.

Risks Relating to Regulatory Regimes

South Bow and its liquids pipelines are subject to regulation and oversight by various regulatory authorities. Regulatory actions taken by these agencies have the potential to adversely affect the business, financial condition, and results of operations of South Bow. Regulation affects most aspects of South Bow's business and extends to such matters as: (a) the integrity, safety, and security of facilities and operations; (b) the acquisition, extension, disposition, or abandonment of services or facilities; (c) reporting and information posting requirements; and (d) the maintenance of accounts and records.

Should South Bow fail to comply with any applicable statutes, rules, regulations, or orders of such regulatory authorities, South Bow could be subject to substantial penalties and fines and potential suspension or revocation of permits. Furthermore, new laws or regulations, or different interpretations of existing laws or regulations, including unexpected policy changes, applicable to South Bow or its liquids pipelines could have a material adverse impact on the business, financial condition, and results of operations of South Bow.

Risks Relating to HSSE Laws and Regulations

The operations of South Bow are subject to federal, state, provincial, and municipal laws and regulations, as well as other obligations, relating to sustainability and the protection or preservation of the environment (including with respect to climate change), natural resources, and human health and safety. Such laws, regulations, and obligations affect many aspects of South Bow's present and future operations, and generally require South Bow to obtain and comply with various environmental registrations, licenses, permits, inspections, and other approvals. Liability under such laws and regulations may be incurred without regard to fault for the remediation of contaminated areas. Private parties, including the owners of properties through which South Bow's liquids pipelines pass, may also have the right to pursue legal actions to enforce compliance, as well as to seek damages for non-compliance with such laws and regulations or for personal injury or property damage.

Failure to comply with these laws and regulations may also expose South Bow to civil, criminal, and administrative fines, penalties and/or interruptions in operations that could impact the business, financial condition, and results of operations of South Bow. For example, if an accidental release of crude oil or other hazardous substances occurs at or from any of the liquids pipelines or connected facilities or systems, South Bow may experience significant operational disruptions and may be required to incur a significant amount of costs in order to clean up or otherwise respond to the leak, release or spill, pay government penalties, address natural resource damage, compensate for human exposure, property damage or economic loss, install costly pollution control equipment, operate at a reduced capacity/operating pressure, or undertake a combination of these and other measures. The resulting costs and liabilities could materially adversely affect South Bow's business, financial condition, and results of operations.

An environmental incident could have lasting reputational impacts to South Bow and could impact its ability to work with various stakeholders. In addition to the cost of remediation activities (to the extent not covered by insurance), environmental incidents may lead to an increased cost of operating and insuring the liquids pipelines, thereby adversely impacting South Bow's business, financial condition and results of operations.

South Bow cannot ensure that existing HSSE laws and regulations will not be revised or that new laws or regulations (including those relating to GHG emissions) will not be adopted or become applicable to its business. There can be no assurance as to the amount or timing of future expenditures for environmental compliance or remediation, and actual future expenditures may be different from the amounts currently anticipated. Revised or additional laws or regulations that result in increased compliance costs or additional operating restrictions could have a material adverse effect on South Bow's business, financial condition and results of operations.

In particular, certain federal, provincial and/or state governments have made combatting climate change arising from GHG emissions a priority and have undertaken and may continue to undertake various regulatory initiatives that could curtail crude oil production and transportation. Potential examples include laws, rules, executive orders, or regulations relating to the permitting of pipeline infrastructure and further restrictions on GHG emissions from oil and gas facilities. Any new laws, executive orders or regulations, or changes to or interpretations of existing laws or regulations, adverse to South Bow could have a material adverse effect on its business, financial condition and results of operations.

Decommissioning, Abandonment, and Reclamation Costs

South Bow is responsible for compliance with all applicable laws and regulations regarding the decommissioning, abandonment, and reclamation of South Bow's facilities and pipelines at the end of their economic life. In Canada, the CER requires pipeline companies under its jurisdiction to have a set-aside mechanism in place to adequately fund pipeline abandonment. These costs are estimated and approved by the CER, and subject to periodic changes. To meet this requirement, South Bow collects an abandonment surcharge from customers that funds a trust held exclusively for the purpose of abandonment. South Bow may, in the future, be required by applicable laws or regulations to post security or establish and fund one or more decommissioning, abandonment, and reclamation reserve funds in other jurisdictions to provide for payment of future decommissioning, abandonment, and reclamation costs, which among other things may impact South Bow's ability to execute its business plan.

Risks Relating to Regulations Governing the Safety and Integrity of South Bow's Liquids Pipelines

South Bow and its liquids pipelines are subject to extensive laws and regulations related to pipeline safety and integrity at the federal, provincial and state levels. There are, for example, regulations issued by PHMSA and by the CER for pipeline operators in the areas of design, operations, integrity testing, repairs, qualification and training, emergency response, control room management, and public awareness. South Bow expects the costs of compliance with these regulations, including integrity management rules, will be substantial. The majority of compliance costs relate to pipeline integrity testing and repairs and reconfirmation of the maximum allowable operating pressure on South Bow's liquids pipelines. South Bow plans to continue its integrity testing programs to assess and maintain the integrity of its existing and future liquids pipelines as required by PHMSA and CER rules. Repairs or upgrades deemed necessary to address results of integrity assessments and other testing and/or ensure the continued safe and reliable operation of South Bow's liquids pipelines and related facilities could cause South Bow to incur significant and unanticipated capital and operating expenditures. Such expenditures will vary depending on the number of repairs determined to be necessary as a result of integrity assessments and other testing. South Bow also expects to increase expenditures in the future to comply with PHMSA and CER regulations.

Further, additional laws and regulations that may be enacted in the future or a new interpretation of existing laws and regulations could significantly increase the amount of these expenditures. Pipeline safety regulations or changes to such regulations may require additional leak detection, reporting, the replacement of some of South Bow's liquids pipeline segments, the addition of monitoring equipment, and more frequent monitoring and inspection or testing of its pipeline facilities. Repair, remediation, and preventative or mitigating actions may require significant capital and operating expenditures. Pipeline safety regulation has increased over time and existing obligations may increase with new proposed rules that are currently under consideration. In the U.S., the reauthorization of the U.S. *Pipeline Safety Act* could further expand PHMSA's current rule-making agenda and statutory authority in certain areas, including those related to pipeline leak detection and repair and inspection and maintenance requirements for idled pipelines. There can be no assurance as to the amount or timing of future expenditures for pipeline safety and integrity regulation, and actual future expenditures may be different from the amounts South Bow currently anticipates. Revised or additional regulations that result in increased compliance costs or additional operating restrictions, particularly if those costs are not deemed by regulators to be fully recoverable from customers, could have a material adverse effect on South Bow's business, financial condition and results of operations.

Risks Relating to Expansion of Existing Assets and Construction of New Assets

South Bow may undertake construction projects to expand its existing assets and to construct new assets. New growth projects generally will be subject to, among other things: the receipt of regulatory approvals; feasibility and cost analyses; funding availability; industry, market and demand conditions; inflation; availability of labour, material, and equipment; Indigenous and other stakeholder consultation; environmental considerations; performance of third parties; acts of civil disobedience, terrorism, or sabotage; weather conditions; and costs of engineering and other third-party services. These and a variety of other factors outside of South Bow's control, such as difficulties or delays in obtaining rights-of-way and permits or other regulatory approvals, have caused, and may continue to cause, delays in or cancellations of South Bow's construction projects. Regulatory authorities may modify their permitting policies in ways that disadvantage South Bow's construction projects and may also expand existing regulatory requirements, including through increased Indigenous and other stakeholder consultation requirements. Such factors can be exacerbated by, among other things, political, and public opposition to South Bow's projects, including as a consequence of, or relating to, sustainability-related considerations and operational incidents involving energy infrastructure providers. Inclement weather, natural disasters, and delays in performance and underperformance by third-party contractors have also resulted in, and may continue to result in, increased costs or delays in construction. In addition, South Bow may experience increasing costs for construction materials. Significant increases in costs of construction materials, cost overruns, or delays, or South Bow's inability to obtain a required permit or right-of-way, could have a material adverse effect on South Bow's return on investment, results of operations, and cash flows, and could result in project cancellations or limit South Bow's ability to pursue other growth opportunities.

The success of such assets is, to some extent, dependent on the effectiveness of the business relationship and decision-making among South Bow and other joint owners. It may not be possible for South Bow to obtain the required levels of approval from co-owners of facilities for future proposals for capital expenditures, which may adversely affect South Bow's ability to expand or improve its existing facilities. Further, if a joint owner were to become insolvent, regulators may require South Bow to assume such joint owner's obligations and South Bow may face operational challenges during any insolvency proceedings, resulting in additional costs. Such events could impact operations or cash flows of these assets or cause them to not operate as South Bow expects which could, in turn, have a negative impact on South Bow's business, financial condition, and results of operations.

In addition, agreements for joint ownership often contain restrictions on transferring an interest in a facility, including consent requirements and rights of first refusal. Such provisions may restrict South Bow's ability to transfer its interests in facilities or to acquire a joint venture owner's interest in facilities and may also restrict South Bow's ability to maximize the value of a sale of its interest. Shareholders are further advised that the Spinoff has triggered certain rights of first refusal, rights of first offer, and other pre-emptive rights of purchase in respect of South Bow's assets, rights, and interests. See *Risks Relating to Pre-emptive Rights*.

Risks Relating to Regulation of Tolls, Tariffs, and Services

South Bow's U.S. liquids pipelines are subject to regulation by various federal regulatory agencies, including the FERC under the *U.S. Interstate Commerce Act*. The *U.S. Interstate Commerce Act* requires that tariff rates and terms and conditions of service for liquids pipelines be just and reasonable and not unduly discriminatory. South Bow is also subject to the *Pipeline Safety Regulations* of the U.S. Department of Transportation.

For South Bow's liquids pipelines subject to FERC regulation under the *U.S. Interstate Commerce Act*, shippers may protest South Bow's pipeline tariff filings or file complaints against its existing rates or complaints alleging that South Bow is engaging in discriminatory behaviour. The FERC can also investigate on its own initiative. Under certain circumstances, the FERC could limit South Bow's ability to set rates based on its costs or could order South Bow to reduce its rates and could require the payment of reparations to complaining shippers for up to two years prior to the complaint.

South Bow routinely monitors the public filings and proceedings of other parties with the FERC and other regulatory agencies in an effort to identify issues that could potentially impact its business. Under certain circumstances South Bow may choose to intervene in such third-party proceedings in order to express its support for, or opposition to, various issues raised by the parties to such proceedings. Despite such efforts, South Bow can provide no assurance that the FERC and other agencies that regulate its business will not issue future orders or declarations that increase its costs or otherwise adversely affect South Bow's business, financial condition, and results of operations.

South Bow's Canadian liquids pipelines are subject to regulation by the CER and by provincial authorities. Under the *Canadian Energy Regulator Act*, the CER could investigate the tariff rates or the terms and conditions of service relating to a jurisdictional pipeline on its own initiative upon the filing of a toll or tariff application, or upon the filing of a written complaint. If the CER found the rates or terms of service relating to such pipeline to be unjust and unreasonable or unjustly discriminatory, the CER could require South Bow to change its rates, provide access to other shippers, or change its terms of service. A provincial authority such as the AER could, on the application of a customer or other interested party, investigate the tariff rates or South Bow's terms and conditions of service relating to its provincially regulated pipelines. If it found South Bow's rates or terms of service to be contrary to statutory requirements, the AER or other applicable provincial authority could impose conditions it considers appropriate. A provincial authority could declare a pipeline to be a common carrier pipeline, and require South Bow to change its rates, provide access to other shippers, or otherwise alter its terms of service. Any reduction in South Bow's tariff rates would result in lower revenue.

Risks Relating to Cross-border Regulation

Keystone crosses the international border between Canada and the U.S. and is subject to cross-border regulation.

South Bow's cross border activities subject it to regulatory matters, including import and export licenses, tariffs, Canadian and U.S. customs and tax issues, and toxic substance certifications. Such regulations include the Short Supply Controls of the *Export Administration Act*, the USMCA, and the *Toxic Substances Control Act*. Violations of these licensing, tariff, and tax reporting requirements could result in the imposition of significant administrative, civil, and criminal penalties. Changes to these licensing, tariff, and tax reporting requirements could result in increased costs or otherwise adversely affect South Bow's business, financial condition, and results of operations. Furthermore, the Presidential Permit applicable to Keystone that allows cross-border movements of crude oil may be revoked or terminated at any time.

Risks Relating to Hedging Activities

South Bow enters into pipeline and storage terminal capacity contracts as well as crude oil purchase and sale agreements. South Bow fixes a portion of the exposure on these contracts by entering into financial instruments as a hedge to manage price volatility, interest rate, and foreign exchange risks. These hedging arrangements expose South Bow to risks which may cause financial loss and there is no guarantee that such hedging arrangements will generate profits or mitigate the market risks associated with South Bow's business. Further, such hedging arrangements may limit the benefit South Bow would otherwise receive due to favourable changes in commodity prices, interest rates, and foreign exchange rates.

Additionally, the U.S. Federal Trade Commission, the FERC, and the U.S. Commodity Futures Trading Commission hold statutory authority to monitor certain segments of the physical and futures energy commodities markets. These agencies have imposed broad regulations prohibiting fraud and manipulation of such markets. Regarding South Bow's physical purchases and sales of crude oil and any related hedging activities that it undertakes, South Bow is required to observe the market-related regulations enforced by these agencies, which hold substantial enforcement authority. South Bow's purchases and sales may also be subject to certain reporting and other requirements. Additionally, to the extent that South Bow enters into transportation contracts with pipelines that are subject to FERC regulation, South Bow is subject to FERC requirements related to the use of such capacity. Any failure on South Bow's part to comply with the regulations and policies of the FERC, the U.S. Federal Trade Commission, or the U.S. Commodity Futures Trading Commission could result in the imposition of civil and criminal penalties. Failure to comply with such regulations, as interpreted and enforced, could have a material adverse effect on South Bow's business, financial condition, and results of operations.

Risks Relating to Issuer Ratings

South Bow has been assigned an issuer rating of BBB- (Stable) by S&P, Baa3 (Stable) by Moody's, and BBB- (Stable) by Fitch. Credit ratings are not a recommendation to buy, hold, or sell securities. A rating is not a comment on the market price of a security nor is it an assessment of ownership, given various investment objectives. There can be no assurance that such ratings will remain in effect for any given period of time and ratings may be upgraded, downgraded, placed under review, confirmed, and discontinued by an applicable credit ratings agency at any time. South Bow's credit rating and any real or anticipated changes in such credit ratings may affect the market value of South Bow's securities, South Bow's ability to obtain short-term and long-term financing, amounts of insurance capacity available, and the cost at which South Bow can access the capital and insurance markets.

Counterparty Credit Risk

South Bow has exposure to counterparty credit risk in a number of areas, including cash and cash equivalents; accounts receivable and certain contractual recoveries; available-for-sale assets; and fair value of derivative assets. At times, South Bow's counterparties may endure financial challenges resulting from commodity price and market volatility, economic instability, and political or regulatory changes. In addition to actively monitoring these situations, there are a number of factors that reduce South Bow's counterparty credit risk exposure in the event of default, including: (a) contractual rights and remedies together with the utilization of contractually-based financial assurances; (b) the competitive position of its assets and the demand for its services; and (c) potential recovery of unpaid amounts through bankruptcy and similar proceedings. South Bow reviews financial assets carried at amortized cost for impairment using the lifetime expected loss of the financial asset at initial recognition and throughout the life of the financial asset. South Bow uses historical credit loss and recovery data, adjusted for its judgment regarding current economic and credit conditions, along with reasonable and supportable forecasts to determine any impairment, which is recognized in plant operating costs and other. South Bow has significant credit and performance exposure to financial institutions that hold cash deposits. South Bow may, in the future, have significant credit and performance exposure to any financial institutions that provide committed credit lines and letters of credit to help manage South Bow's exposure to counterparties and provide liquidity in commodity, foreign exchange, and interest rate derivative markets. South Bow's current portfolio of financial sector exposure consists primarily of highly rated investment-grade, systemically important financial institutions and it is expected that any future committed credit lines and letters of credit will be with financial institutions having similar characteristics.

Risks Relating to Climate Change

Climate change is a systemic risk that presents both physical and transition risks. Climate change and its associated impacts may increase South Bow's exposure to, and magnitude of, other risks identified herein. South Bow's business, financial condition, results of operations, cash flows, reputation, access to and cost of capital or insurance, business plans, or strategy may all be materially adversely impacted as a result of climate change and its associated impacts.

Physical Risks

Climate-related physical risks as a result of changing and more extreme weather can damage South Bow's assets and affect the safety and reliability of its operations. Climate-related physical risks may be acute or chronic. Acute physical risks are those that are event-driven, including increased frequency and severity of extreme weather events. Chronic physical risks are longer-term shifts in climate patterns, such as long-term changes in precipitation patterns or sustained higher temperatures.

South Bow's liquids pipelines may be exposed to potential damage or other negative impacts from events of this nature, which could result in reduced revenue from business disruption or reduced capacity and may also lead to increased costs due to repairs and required adaptation measures. Such events may also result in loss of life or injury or damage to property and the environment.

Transition Risks

Climate-related transition risks relate to the transition to a lower-emissions economy, which may increase South Bow's cost of operations, impact its business plans, and influence stakeholder decisions about South Bow, each of which could adversely impact South Bow's reputation, strategic plan, business, financial condition and results of operations.

Foreign and domestic governments continue to evaluate and implement policy, legislation, and regulations regarding reduction of GHG emissions, adaptation to climate change, transition to a lower-carbon economy, and disclosure of climate-related matters. Such policies, laws and regulations vary at the federal, state, provincial and municipal levels in which South Bow operates and are continually evolving. International multilateral agreements, the obligations adopted thereunder, increasing physical impacts of climate change, changing political and public opinion, and legal challenges concerning the adequacy of climate-related policy and compliance therewith brought against governments and corporations, among other factors, may accelerate the implementation of these measures. Efforts to regulate or restrict GHG emissions could negatively impact demand for the products South Bow transports on its liquids pipelines. In addition, there has been an increase in climate and related litigation and regulatory proceedings, including climate-disclosure related litigation and regulatory proceeding against governments and energy companies. There is no assurance that South Bow will not be impacted by similar litigation. Many jurisdictions are either increasing the stringency of existing, or introducing new, legislation or public policy to address climate change and reduce GHG emissions.

Risks Relating to Foreign Exchange Rates

South Bow uses U.S. dollars as the reporting currency for its financial statements. Since certain of South Bow's businesses generate earnings in Canadian dollars, changes in the value of the U.S. dollar against the Canadian dollar will directly affect South Bow's earnings. South Bow may manage its foreign exchange risk using foreign exchange derivatives and may hedge a portion of its net investment in operations with Canadian dollar-denominated debt, cross-currency interest rate swaps and foreign exchange options, as appropriate.

Risks Relating to Cyber-attacks

South Bow's business is dependent upon information systems and other digital technologies for controlling the liquids pipeline systems, processing transactions, and summarizing and reporting the results of operations. The secure processing, maintenance, and transmission of information is critical to South Bow's operations. Furthermore, South Bow and some of its counterparties collect and store sensitive data in the ordinary course of business, including personal information, as well as proprietary business information concerning South Bow and its suppliers, investors and other stakeholders.

Cybersecurity risks have increased in recent years as a result of the proliferation of new technologies and the increased sophistication of cyber-attacks and data security breaches, including in connection with the increasing use of artificial intelligence, as well as due to international and domestic political factors including geopolitical tensions, armed hostilities, war, civil unrest, sabotage, and terrorism. Human error can also contribute to a cyber incident, and cyber-attacks can be internal or external and occur at any point in South Bow's supply chain. Because of the critical nature of South Bow's infrastructure and South Bow's use of information systems and other digital technologies to control the liquids pipeline systems, South Bow faces a heightened risk of cyber-attacks. Cyber threat actors have attacked and threatened to attack energy infrastructure, and various government agencies have increasingly stressed that these attacks are targeting critical infrastructure, and are increasing in sophistication, magnitude, and frequency. The U.S. government has issued public warnings indicating that pipelines and other infrastructure assets might be specific targets of terrorist organizations or "cyber sabotage" events.

New cybersecurity legislation, regulations and orders have been recently implemented or proposed resulting in additional actual and anticipated regulatory oversight and compliance requirements, which will require significant internal and external resources. South Bow cannot predict the potential impact to its business of potential future legislation, regulations, or orders relating to cybersecurity.

South Bow's information systems or those of service providers or other counterparties may become the target of cyber-attacks or security breaches which could compromise its data and systems, affect its ability to correctly record, process, and report transactions, result in the loss of information, or cause operational disruption or incidents, including the improper operation of its assets, potentially resulting in delays in the delivery or availability of customers' products; contamination or degradation of the products South Bow transports, stores and distributes; damage to South Bow's liquids pipeline systems and facilities, as well as the facilities of its customers; or releases of hydrocarbon products for which South Bow could be held liable, all of which could result in personal safety incidents and materially adversely affect South Bow's reputation, business, operations, or financial results. As a result of a cyber-attack or security breach, South Bow could also be liable under laws that protect the privacy of personal information, be subject to regulatory action, fines, or penalties, incur additional costs for remediation, litigation, breach of contract or indemnity claims, or other costs, all of which could materially adversely affect South Bow's reputation, business, financial condition and results of operations.

In addition, a cyber-attack could occur and persist for an extended period without detection. Any investigation of a cyber-attack or other security incident may be inherently unpredictable, and it would take time before the completion of any investigation and availability of full and reliable information. During such time, South Bow may not know the extent of the harm or how best to remediate it, and certain errors or actions could be repeated or compounded before they are discovered and remediated, all or any of which could further increase the costs and consequences of a cyber-attack or other security incident, and South Bow's remediation efforts may not be successful. The inability to implement, maintain, and upgrade adequate safeguards could materially and adversely affect South Bow's business, financial condition and results of operations. As cyber-attacks continue to evolve, South Bow may be required to expend significant additional resources to continue to modify or enhance its protective measures or to investigate and remediate any information security vulnerabilities.

Furthermore, media reports about a cyber-attack or other significant security incident affecting South Bow or its liquids pipelines, whether accurate or not, or, under certain circumstances, South Bow's failure to make adequate or timely disclosures to the public, law enforcement, other regulatory agencies, or affected individuals following any such event, whether due to delayed discovery or otherwise, could negatively impact South Bow's operating results and result in other negative consequences, including damage to South Bow's reputation or competitiveness, harm to its relationships with customers, partners, suppliers, and other third parties, interruption to its management, remediation, or increased protection costs, significant litigation or regulatory action, fines or penalties, all of which could materially adversely affect South Bow's business, financial condition and results of operations.

Risks Relating to Insurance Coverage

South Bow's insurance program may not cover all operational risks and costs and may not provide sufficient coverage in the event of a claim. South Bow will not maintain insurance coverage against all potential losses and could suffer losses for uninsurable or uninsured risks or in amounts in excess of existing insurance coverage. Losses in excess of South Bow's insurance coverage could have a material adverse effect on its business, financial condition and results of operations.

Changes in the insurance markets subsequent to certain hurricanes and other natural disasters, as well as the introduction of climate-related policies, have made it more difficult and more expensive to obtain certain types of coverage. The occurrence of an event that is not fully covered by insurance, or failure by one or more of South Bow's insurers to honour its coverage commitments for an insured event, could have a material adverse effect on South Bow's business, financial condition and results of operations. Insurance companies may reduce the insurance capacity they are willing to offer or may demand significantly higher premiums or deductibles to cover South Bow's assets. If significant changes in the number or financial solvency of insurance underwriters for the energy industry occur, South Bow may be unable to obtain and maintain adequate insurance at a reasonable cost. There is no assurance that South Bow's insurers will renew their insurance coverage on acceptable terms, if at all, or that South Bow will be able to arrange for adequate alternative coverage in the event of non-renewal. The unavailability of full insurance coverage to cover events in which South Bow suffers significant losses could have a material adverse effect on South Bow's business, financial condition and results of operations.

Talent Risk

The future success of South Bow will depend largely upon the performance of key officers, employees, and consultants who have advanced the Company to its current stage of development and contributed to its potential for future growth. The market for qualified talent has become increasingly competitive, with shortages of qualified talent relative to the number of available opportunities being experienced in all markets where South Bow will continue its operations. The ability to remain competitive by offering higher compensation packages and programs for growth and development of personnel, with a view to retaining existing talent and attracting new talent, will become increasingly important to South Bow and its operations in the current climate. Any prolonged inability to retain key individuals, or to attract and retain new talent as South Bow grows, could have a material adverse effect upon South Bow's growth potential and prospects. The costs associated with retaining and recruiting key individuals and a skilled workforce could adversely affect South Bow's business, financial condition and results of operations.

Risks of Legal Proceedings

South Bow may be subject to regulatory investigations, claims, lawsuits, and other proceedings in the ordinary course of its business, as a result of its status as a publicly traded company and because of its liquids pipelines business. Litigation related to environmental and climate change-related matters, as well as environmental, social and governance disclosure, is on the rise. TC Energy has been subject to, and South Bow may in the future be subject to, legal proceedings in Canada and the U.S. concerning the amount and/or nature of variable tolls charged to its customers, including in relation to the amount and apportionment of maintenance capital costs and costs associated with the use of drag reducing agents, as well as the allocation of costs between Keystone and Marketlink. The occurrence and outcome of any legal proceedings cannot be predicted with any reasonable degree of certainty due to the inherently uncertain nature of litigation, including the effects of discovery of new evidence or advancement of new legal theories, the difficulty of predicting decisions of judges and juries and the possibility that decisions may be reversed on appeal. Defense and settlement costs of legal claims can be substantial, even with respect to claims that are determined to have little or no merit.

Litigation may be costly and time-consuming and can divert the attention of Management and key personnel away from day-to-day business operations. South Bow may, from time to time, be subject to legal proceedings or the threat of legal proceedings. If South Bow were to be unsuccessful in defending any material claims against it, or unable to settle such claims on a satisfactory basis, it may be faced with significant monetary damages, injunctive relief, or other negative impacts that could have a material adverse effect on South Bow's business and financial condition. South Bow may also be required to change its operating practices in response to any such legal proceedings. To the extent South Bow is involved in any active litigation, the outcome of such matters may not be determinable, and it may not be possible to accurately predict the outcome or quantum of any such proceedings at a given time.

Risks Relating to Indigenous Claims and Consultation Obligations

Indigenous Peoples in Canada have constitutionally protected rights and have claimed aboriginal and treaty rights to a substantial portion of lands in western Canada. The successful assertion of Indigenous title or other Indigenous rights claims may have an adverse effect on western Canadian crude oil production and may result in reduced demand for South Bow's assets and infrastructure that service those areas, which could have a material adverse effect on South Bow's business, financial condition and results of operations.

The interpretation of aboriginal and treaty rights is evolving and government policy (including the requirements that are imposed on industry) continues to change. In Canada, the federal and provincial governments have a duty to consult and, where appropriate, accommodate Indigenous Peoples where the interests of the Indigenous Peoples may be affected by a government action or decision. The consultation processes and expectations of parties involved can vary considerably from project to project (and from community to community), which can contribute to process uncertainty, increased costs, delay in receiving required approvals, and potentially, an inability to secure the required approvals for some projects. The scope of the duty to consult by federal and provincial governments is fact-dependent; however, has been broadening in recent years and is expected to continue to increase in the future. If a government or regulatory body determines that the duty to consult has not been appropriately discharged relative to the issuance of regulatory approvals required by South Bow, the issuance of such approvals may be delayed or denied, thereby impacting South Bow's Canadian operations.

Additionally, the Government of Canada has introduced legislation to implement the United Nations Declaration on the Rights of Indigenous Peoples. Certain provincial governments have enacted similar legislation. The adoption of such laws is expected to continue to add uncertainty to the ability of entities operating in the Canadian oil and gas industry to execute on major resource development and infrastructure projects, including, among other projects, pipelines.

In the U.S., certain of South Bow's operations may cross land that has historically been apportioned to various Native American and First Nations tribes, who may exercise significant jurisdiction and sovereignty over their lands. Native American and First Nations tribes may also have certain treaty rights and rights to consultation on projects that may affect such lands. South Bow's operations may be impacted to the extent these tribal governments are found to have and choose to act upon such jurisdiction over lands where South Bow operates.

Risks of Loss of Foreign Private Issuer Status

South Bow is a "foreign private issuer", as such term is defined under the U.S. Exchange Act, and is not subject to the same requirements that are imposed upon U.S. domestic issuers. As a foreign private issuer, South Bow is exempt from certain of the provisions of U.S. federal securities laws. However, if South Bow were to lose its status as a foreign private issuer, South Bow would be required to comply with the same U.S. federal securities laws that apply to a U.S. company in addition to its obligations as a reporting issuer in Canada. The regulatory and compliance costs to South Bow under securities laws as a U.S. domestic issuer will be significantly more than the costs incurred as a Canadian foreign private issuer. Compliance with these additional regulatory and reporting requirements under U.S. securities laws would require Management to devote substantial time and resources to comply with new regulatory requirements. Further, if South Bow were not a foreign private issuer, it would not be eligible to use foreign issuer forms and would be required to file periodic and current reports, proxy statements, and registration statements with the SEC that comply with the requirements applicable to U.S. domestic issuer reporting companies, which are generally more detailed and extensive than the forms available to a foreign private issuer using the multijurisdictional disclosure system forms and could increase the cost of accessing the capital markets compared to if South Bow continued to be a foreign private issuer. In addition, South Bow may lose the ability to rely upon exemptions from NYSE corporate governance requirements that are available to foreign private issuers, which may further increase South Bow's costs of compliance.

South Bow would lose its status as a foreign private issuer if more than 50 per cent of South Bow's outstanding voting securities are directly or indirectly held of record by U.S. holders as of the end of South Bow's second fiscal quarter and any one of the following is true: (a) the majority of South Bow's directors or executive officers are U.S. citizens or residents; (b) more than 50 per cent of South Bow's assets are located in the U.S.; or (c) South Bow's business is administered principally in the U.S. Because a majority of South Bow's directors and executive officers are U.S. citizens or residents and South Bow's business is principally administered in the U.S., South Bow's status as a foreign private issuer will primarily depend on changes in South Bow's share ownership, over which South Bow has no control.

Risks Relating to Internal Controls over Financial Reporting

South Bow is responsible for establishing and maintaining adequate internal controls over financial reporting ("ICFR"), which is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable GAAP. Because South Bow is a new public company and is implementing new financial control and management systems, ICFR may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. If Management is unable to certify the effectiveness of its internal controls or if material weaknesses in South Bow's internal controls are identified, South Bow could be subject to regulatory scrutiny and a loss of public confidence, which could harm South Bow's business and cause a decline in the price of the common shares of South Bow. South Bow does not expect that its disclosure controls and procedures ("DC&P") and ICFR will prevent all error or fraud. A control system, no matter how well-designed and implemented, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are reasonable constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within an organization are detected. The inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of certain persons, by collusion of two or more people or by Management override of the controls. Due to the inherent limitations in cost-effective control system, misstatements due to error or fraud may occur and may not be detected in a timely manner, or at all. If South Bow cannot provide reliable financial reports or prevent fraud, South Bow's reputation and operating results could be materially adversely affected, which could also cause investors to lose confidence in South Bow's reported financial information. The foregoing risks may be heightened on account of the fact that South Bow intends to rely on the exemption contained in Section 4.5 or 5.5, as applicable, of National Instrument 52-109 – *Certification of Disclosure* in South Bow's annual and interim filings, which will permit South Bow to file a more limited form of certificate concerning its DC&P and ICFR in respect of its first financial period following the completion of the Spinoff.

Risks Relating to Proposed and Recently Enacted Tax Legislation in the United States and Canada

Changes to applicable tax laws (which changes may have retroactive application) could adversely affect South Bow.

In recent years, many changes to U.S. federal income tax laws have been proposed and made, and additional changes to U.S. federal income tax laws are likely to continue to occur in the future. The U.S. Congress is currently considering numerous items of legislation which may be enacted prospectively or with retroactive effect, which legislation could adversely impact South Bow's financial performance. Additionally, states in which South Bow operates or owns assets may impose new or increased taxes. If enacted, most of the proposals would be effective for the current or later years. The proposed legislation remains subject to change, and its anticipated impact on South Bow and holders of common shares of South Bow is uncertain.

Recent legislative amendments to the Tax Act included a two per cent corporate level tax on the net value of equity repurchases by certain publicly traded entities in Canada, effective for transactions that occur on or after January 1, 2024 (the "Equity Repurchase Tax"). The application of the Equity Repurchase Tax is subject to certain exceptions and anti-avoidance provisions. South Bow will continue to assess the potential application of the Equity Repurchase Tax as it may have an adverse impact on South Bow in relation to any future share buybacks.

Additionally, recent legislative amendments to the Tax Act limit, where applicable, the deductibility of certain interest and financing expenses, effective for taxation years beginning on or after October 1, 2023 (the "EIFEL Provisions"). South Bow will continue to assess the potential application of the EIFEL Provisions as they could affect South Bow's business, financial condition and results of operations.

South Bow is subject to the examination of its tax returns and other tax matters by tax authorities. While South Bow believes that its tax filings positions are appropriate and supportable, it is possible that tax authorities may successfully challenge South Bow's interpretations of tax legislation which may result in non-compliance or re-assessment or affect South Bow's estimate of current and future income taxes, and have an adverse effect on the business, financial condition and results of operations of South Bow.

Inflation Risk

The general rate of inflation impacts the economies and business environments in which South Bow operates. Increased inflation and any economic conditions resulting from governmental attempts to reduce inflation, such as the imposition of higher interest rates or wage and price controls, may increase costs related to South Bow's business and negatively impact levels of demand for South Bow's services and cost of inputs, which could have a material adverse effect on South Bow's business, financial condition and results of operations. Higher interest rates as a result of inflation could also negatively impact South Bow's borrowing costs, which could have a material adverse effect on South Bow's business, financial condition and results of operations.

Geopolitical Conflicts and Other Risks

Geopolitical conflicts and issues, and other factors continue to impact global markets and cause general economic uncertainty, the impact of which may have a significant adverse effect on South Bow's business, financial condition, and results of operations.

These concerns regarding general global economic conditions, fluctuations in interest and foreign exchange rates, stock market volatility, geopolitical conflicts and issues have contributed to increased economic uncertainty and diminished expectations for the global economy. This global economic uncertainty may have a material adverse effect on South Bow's business, financial condition and results of operations.

Concerns over global economic conditions may also have the effect of heightening many of the other risks described herein, including, but not limited to, risks relating to fluctuations in the market price of crude oil, the terms and availability of financing, cost overruns, geopolitical concerns, counterparty risk, and changes in law, policies, or regulatory requirements.

Risks Relating to the Securities of South Bow

Risks Relating to Stability of Stock Price and Availability of a Continuing Public Market

The market price of the common shares of South Bow may in the future be subject to significant fluctuations as a result of many factors, some of which will be beyond South Bow's control. Among the factors that could in the future affect South Bow's share price are:

- quarterly variations in South Bow's results of operations,
- changes in market valuations of similar companies and stock market price and volume fluctuations generally,
- changes in earnings estimates or the publication of research reports by analysts,
- speculation in the press or investment community about South Bow's business or the liquids pipeline industry generally,
- strategic actions by South Bow or its competitors such as commercial initiatives, acquisitions, divestitures, or restructurings,
- a thin trading market for the common shares of South Bow may develop, which could make it somewhat illiquid,
- regulatory developments,
- additions or departures of key personnel,
- the price of crude oil,

- general market conditions, and
- domestic and international economic, political, market, and currency factors unrelated to South Bow's performance.

The stock markets have experienced extreme volatility that has sometimes been unrelated to the operating performance of individual companies. These broad market fluctuations may adversely affect the trading price of common shares of South Bow.

Additionally, there is no guarantee of a continuing public market to resell the common shares of South Bow. South Bow will not be able to provide assurance that an active and liquid public market for the common shares of South Bow will continue to exist.

PROMOTER

Under applicable Canadian securities laws, TC Energy may be considered a promoter of South Bow in that it took the initiative in founding South Bow for the purpose of implementing the Spinoff.

South Bow acquired its assets from TC Energy pursuant to the Spinoff. As consideration for the acquisition of such assets, South Bow issued the promissory note (the "Note") payable to TC Energy in the aggregate principal amount of C$6.558 billion. The value of the Note was determined through the equitable allocation of the pre-Spinoff value of TC Energy's debt as determined by, among other things, an assessment of assets and liabilities to be transferred to South Bow pursuant to the Spinoff, an allocation of then current income tax payable, an allocation of transaction costs related to the Arrangement, and appropriate capital structures. The Note was repaid in full on the effective date of the Spinoff. Subsequent to the completion of the Spinoff, South Bow made a payment to TC Energy in the amount of C$31.841 million to adjust the cash balances of both companies as at the effective date of the Spinoff to the agreed upon amounts pursuant to the Separation Agreement.

As of the date of this AIF, and upon completion of the Spinoff, TC Energy does not beneficially own, control or direct, directly or indirectly, any voting or other equity securities of South Bow or its subsidiaries.

See *General Development of the Business—Spinoff Transaction* for additional details regarding the Spinoff and the related contractual arrangements between South Bow and TC Energy.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Except in respect of the variable toll disputes on Keystone and the Milepost 14 incident (see *General Development of the Business—Keystone*), there are no legal proceedings to which South Bow is a party, or in respect of which any of South Bow's property was the subject of, which is or will be material to South Bow, and South Bow is not aware of any such legal proceedings that are contemplated.

Since incorporation, there have not been any penalties or sanctions imposed against South Bow by a court relating to provincial or territorial securities legislation or by a securities regulatory authority, nor have there been any other penalties or sanctions imposed by a court or regulatory body against South Bow; however, South Bow recognized a provision for $30 million for its best estimate of incremental costs in relation to the Milepost 14 Incident and a receivable for 86 per cent ($26 million) representing TC Energy's share of this anticipated incremental cost pursuant to the indemnity clauses in the Separation Agreement. South Bow has not entered into any settlement agreements before a court relating to provincial or territorial securities legislation or with a securities regulatory authority.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as set forth elsewhere in this AIF, none of the directors or executive officers of South Bow, nor any associate or affiliate of any of the foregoing persons, has or has had any material interest in any past transaction within the three years before the date of this AIF, or any proposed transaction, that has materially affected or would materially affect South Bow or any of the entities that are subsidiaries of South Bow.

AUDITORS, TRANSFER AGENT, AND REGISTRARS

KPMG LLP, Chartered Professional Accountants, of 3100, 205 – 5 th Avenue S.W., Calgary, Alberta, T2P 4B9, is the auditor of South Bow.

The transfer agent and registrar for the common shares of South Bow is Computershare Investor Services Inc. at its principal offices in Calgary, Alberta, and Toronto, Ontario.

MATERIAL CONTRACTS

The following are material contracts of South Bow, other than contracts entered into in the ordinary course of business:

1. the Arrangement Agreement, as described in *General Development of the Business* and *Glossary*; and
2. the Separation Agreement, as described in *General Development of the Business* .

Copies of the above material contracts are available on South Bow's profile on SEDAR+ at www.sedarplus.ca.

INTEREST OF EXPERTS

KPMG LLP, Chartered Professional Accountants, is South Bow's independent auditor and such firm has issued its report of independent registered public accounting firm dated March 5, 2025 with respect to the South Bow 2024 Annual Financial Statements. KPMG LLP confirmed that they are independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations and also that they are independent accountants with respect to South Bow under all relevant U.S. professional and regulatory standards.

ADDITIONAL INFORMATION

Additional information relating to South Bow may be found on South Bow's profile on SEDAR+ at www.sedarplus.ca. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of South Bow's securities, and securities authorized for issuance under equity compensation plans, as applicable, will be contained in South Bow's management information circular to be filed in connection with its upcoming meeting of shareholders and will be available on South Bow's profile on SEDAR+ at www.sedarplus.ca.

Additional financial information is contained in the 2024 Annual Financial Statements and the MD&A which have been filed on South Bow's profile on SEDAR+ at www.sedarplus.ca.

GLOSSARY

The following is a glossary of certain terms used in this AIF.

"**2024 Annual Financial Statements**" means the audited annual financial statements of South Bow and combined carve-out financial statements for the Liquids Pipelines business as of December 31, 2024 and 2023 and for each of the years in the two-year period ended December 31, 2024, the related notes thereto, and the report of independent registered public accounting firm thereon;

"**AER**" means the Alberta Energy Regulator;

"**Arrangement Agreement**" means the Arrangement Agreement dated April 10, 2024, between TC Energy, South Bow and South Bow Pipelines Ltd., as it may be amended, supplemented, restated, or otherwise modified from time to time in accordance with its terms, which provides for, among other things, the terms of the Spinoff;

"**CER**" means the Canada Energy Regulator;

"**Emergency Management Program"** means an emergency management program that South Bow has implemented to provide a consistent and comprehensive approach to emergency preparedness, business continuity, and emergency response within South Bow;

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

"**Fitch**" means Fitch Ratings Inc.;

"**GHG**" means greenhouse gas;

"**HSSE**" means health, safety, sustainability, and environment;

"**IRS**" means the U.S. Internal Revenue Service;

"**Moody's**" means Moody's Ratings, a division of Moody's Investors Service, Inc.;

"**NAFTA**" means the North American Free Trade Agreement;

"**NI 52-110**" means National Instrument 52-110 – *Audit Committees;*

"**NYSE**" means the New York Stock Exchange;

"**PHMSA**" means the U.S. Pipeline and Hazardous Materials Safety Administration;

"**Stock Option**" means an option to purchase a common share of South Bow at a particular exercise price pursuant to the South Bow Stock Option Plan;

"**Stock Option Plan**" means the stock option plan of South Bow pursuant to the Plan of Arrangement;

"**S&P**" means S&P Global Ratings, a division of S&P Global Inc.;

"**Tax Act**" means the Income Tax Act (Canada), as amended;

"**Transferred Property**" means all of the issued and outstanding common shares of South Bow Pipelines Ltd. held by TC Energy immediately prior to the time of completion of the Spinoff;

"**TSX**" means the Toronto Stock Exchange;

"**U.S. Exchange Act**" means United States Securities Exchange Act of 1934, as amended;

"**USMCA**" means the *United States-Mexico-Canada Agreement*; and

"**WCSB**" means the Western Canadian Sedimentary Basin.

In addition, unless otherwise indicated or the context otherwise requires, in this AIF the abbreviations set forth below have the following specified meanings:

"**bbl/d**" means barrel(s) per day;

"**MMbbl**" means millions of barrels; and

"**MMbbl/d**" means millions of barrels per day.

APPENDIX A – CHARTER OF THE SOUTH BOW AUDIT COMMITTEE

I. PURPOSE

The Audit Committee shall assist the Board of Directors (the Board) in overseeing and monitoring, among other things, the:

a. Company's financial accounting and reporting process;

b. integrity of the financial statements;

c. Company's internal control over financial reporting;

d. external financial audit process;

e. compliance by the Company with legal and regulatory requirements; and

f. independence and performance of the Company's internal and external auditor.

To fulfill its purpose, the Audit Committee has been delegated certain authorities by the Board that it may exercise on behalf of the Board.

II. ROLES AND RESPONSIBILITIES

i. Appointment of the Company's External Auditor

Subject to confirmation by the external auditor of their compliance with Canadian and U.S. regulatory registration requirements, the Audit Committee shall recommend to the Board the appointment of the external auditor, such appointment to be confirmed by the Company's shareholders at each annual meeting. The Audit Committee shall also recommend to the Board the compensation to be paid to the external auditor for audit services. The Audit Committee shall also be directly responsible for the oversight of the work of the external auditor (including resolution of disagreements between management and the external auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The external auditor shall report directly to the Audit Committee.

The Audit Committee shall review and approve the audit plan of the external auditor. The Audit Committee shall also receive periodic reports from the external auditor regarding the auditor's independence, discuss such reports with the auditor, consider whether the provision of non-audit services is compatible with maintaining the auditor's independence and take appropriate action to satisfy itself of the independence of the external auditor. In addition, to further satisfy itself of audit quality and the independence of the external auditor, the Audit Committee shall undertake a Periodic Comprehensive Review of the External Auditor at least once every five years.

ii. Oversight in Respect of Financial Disclosure

The Audit Committee shall, to the extent it deems it necessary or appropriate:

a. review, discuss with management and the external auditor and recommend to the Board for approval, the Company's audited annual consolidated financial statements, annual information form, management's discussion and analysis (MD&A), all financial information in prospectuses and other offering memoranda, financial statements required by securities regulators, all prospectuses and all documents which may be incorporated by reference into a prospectus, including, without limitation, the annual management information circular, but excluding any pricing or prospectus supplement relating to the issuance of debt securities of the Company;

b. review, discuss with management and the external auditor and approve, the release to the public of the Company's interim reports, including the consolidated financial statements, MD&A and news releases on quarterly financial results;

c. review and discuss with management and the external auditor the use of non-GAAP information and the applicable reconciliation;

d. review and discuss with management any financial outlook or future-oriented financial information disclosure in advance of its public release; provided, however, that such discussion may be done generally (consisting of discussing the types of information to be disclosed and the types of presentations to be made). The Audit Committee need not discuss in advance each instance in which the Company may provide financial projections or presentations to credit rating agencies;

e. review with management and the external auditor major issues regarding accounting policies and auditing practices, including any significant changes in the Company's selection or application of accounting policies, as well as major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies that could significantly affect the Company's financial statements;

f. review and discuss quarterly findings reports from the external auditor on:

   i. all critical accounting policies and practices to be used;

   ii. all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditor;

   iii. other material written communications between the external auditor and management, such as any management letter or schedule of unadjusted differences;

g. review with management and the external auditor the effect of regulatory and accounting developments on the Company's financial statements;

h. review with management and the external auditor the effect of any off-balance sheet structures on the Company's financial statements;

i. review with management, the external auditor and, if necessary, legal counsel, any litigation, claim or contingency, including arbitration and tax assessments, that could have a material effect upon the financial position of the Company, and the manner in which these matters have been disclosed in the financial statements;

j. review disclosures made to the Audit Committee by the Company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO) during their certification process for the periodic reports filed with securities regulators about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls;

k. discuss with management the Company's material financial risk exposures (including but not limited to, counterparty risk, interest rate and foreign exchange risk, market risk, and insurance risk) and the steps management has taken to monitor and control such exposures, including the Company's financial-related risk assessment and risk management policies;

iii. Oversight in Respect of Legal and Regulatory Matters

a. review with the Company's General Counsel legal matters that may have a material impact on the financial statements, the Company's compliance policies and any material reports or inquiries received from regulators or governmental agencies;

iv. Oversight in Respect of Internal Audit

a. review and approve the audit plans of the internal auditor of the Company including the degree of coordination between such plans and those of the external auditor and the extent to which the planned audit scope can be relied upon to detect weaknesses in internal control, fraud or other illegal acts;

b. review the significant findings prepared by the internal audit department and recommendations issued by it or by any external party relating to internal audit issues, together with management's response thereto;

c. review compliance with the Company's policies and avoidance of conflicts of interest;

d. review the report prepared by the internal auditor on officers' expenses and aircraft usage;

e. review the adequacy of the resources of the internal auditor to ensure the objectivity and independence of the internal audit function, including reports from the internal audit department on its audit process with subsidiaries and affiliates;

f. ensure the internal auditor has access to the Chair of the Audit Committee, the Board and the CEO and meet separately with the internal auditor to review with him or her any problems or difficulties he or she may have encountered and specifically:

   i. any difficulties which were encountered in the course of the audit work, including restrictions on the scope of activities or access to required information, and any disagreements with management;

   ii. any changes required in the planned scope of the internal audit;

   iii. the internal audit department responsibilities, budget and staffing;

   and to report to the Board on such meetings;

v. Oversight in Respect of the External Auditor

a. review any letter, report or other communication from the external auditor in respect of any identified weakness in internal control or unadjusted difference and management's response and follow up, inquire regularly of management and the external auditor of any significant issues between them and how they have been resolved, and intervene in the resolution if required;

b. receive and review annually the external auditor's formal written statement of independence delineating all relationships between itself and the Company;

c. meet separately with the external auditor to review any problems or difficulties the external auditor may have encountered and specifically:

   i. any difficulties which were encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information, and any disagreements with management;

   ii. any changes required in the planned scope of the audit;

   iii. and to report to the Board on such meetings;

d. meet with the external auditor prior to the audit to review the planning and staffing of the audit;

e. receive and review annually the external auditor's written report on their own internal quality control procedures; any material issues raised by the most recent internal quality control review, or peer review, of the external auditor, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, and any steps taken to deal with such issues;

f. review and evaluate the external auditor, including the lead partner of the external auditor team;

g. ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law, but at least every five years;

vi. Oversight in Respect of Audit and Non-audit Services

a. pre-approve all audit services (which may entail providing comfort letters in connection with securities underwritings) and all permitted non-audit services, other than non-audit services where:

   i. the aggregate amount of all such non-audit services provided to the Company that were not pre-approved constitutes not more than five per cent of the total fees paid by the Company and its subsidiaries to the external auditor during the fiscal year in which the non-audit services are provided;

   ii. such services were not recognized by the Company at the time of the engagement to be non-audit services;

   iii. such services are promptly brought to the attention of the Audit Committee and approved, prior to the completion of the audit, by the Audit Committee or by one or more members of the Audit Committee to whom authority to grant such approvals has been delegated by the Audit Committee;

b. approval by the Audit Committee of a non-audit service to be performed by the external auditor shall be disclosed as required under securities laws and regulations;

c. the Audit Committee may delegate to one or more designated members of the Audit Committee the authority to grant pre-approvals required by this subsection. The decisions of any member to whom authority is delegated to pre-approve an activity shall be presented to the Audit Committee at its first scheduled meeting following such pre-approval;

d. if the Audit Committee approves an audit service within the scope of the engagement of the external auditor, such audit service shall be deemed to have been pre-approved for purposes of this subsection;

vii. Oversight in Respect of Certain Policies

a. review and recommend to the Board for approval the implementation of, and significant amendments to, policies and program initiatives deemed advisable by management or the Audit Committee with respect to the Company's code of business ethics (COBE), risk management and financial reporting policies;

b. obtain reports from management, the Company's senior internal auditing executive and the external auditor and report to the Board on the status and adequacy of the Company's efforts to ensure its businesses are conducted and its facilities are operated in an ethical, legally compliant and socially responsible manner, in accordance with the Company's COBE;

c. establish a non-traceable, confidential and anonymous system by which callers may ask for advice or report any ethical or financial concern, ensure that procedures for the receipt, retention and treatment of complaints in respect of accounting, internal controls and auditing matters are in place, and receive reports on such matters as necessary;

d. annually review and assess the adequacy of the Company's public disclosure policy;

e. review and approve the Company's hiring policy for partners, employees and former partners and employees of the present and former external auditor (recognizing the *Sarbanes-Oxley Act of 2002* does not permit the CEO, controller, CFO or chief accounting officer to have participated in the Company's audit as an employee of the external auditor during the preceding one-year period) and monitor the Company's adherence to the policy;

viii. Oversight in Respect of Financial Aspects of the Company's Canadian Pension Plans (the Company's pension plans), specifically:

a. review and approve annually the Statement of Investment Beliefs for the Company's pension plans;

b. delegate the ongoing administration and management of the financial aspects of the Canadian pension plans to the Pension Committee comprised of members of the Company's management team appointed by the Human Resources Committee, in accordance with the Pension Committee Charter, which terms shall be approved by both the Audit Committee and the Human Resources Committee, and the terms of the Statement of Investment Beliefs;

c. monitor the financial management activities of the Pension Committee and receive updates at least annually from the Pension Committee on the investment of the Plan assets to ensure compliance with the Statement of Investment Beliefs;

d. provide advice to the Human Resources Committee on any proposed changes in the Company's pension plans in respect of any significant effect such changes may have on pension financial matters;

e. review and consider financial and investment reports and the funded status relating to the Company's pension plans and recommend to the Board on pension contributions;

f. receive, review and report to the Board on the actuarial valuation and funding requirements for the Company's pension plans;

g. approve the initial selection or change of actuary for the Company's pension plans;

h. approve the appointment or termination of the pension plans' auditor;

ix. U.S. Stock Plans

a. review and approve the engagement and related fees of the auditor for any plan of a U.S. subsidiary that offers Company stock to employees as an investment option under the plan;

x. Oversight in Respect of Internal Administration

a. review annually the reports of the Company's representatives on certain audit committees of subsidiaries and affiliates of the Company and any significant issues and auditor recommendations concerning such subsidiaries and affiliates;

b. oversee succession planning for the senior management in finance, treasury, tax, risk, internal audit and the controllers' group;

xi. Information Security

a. review quarterly, the report of the Chief Information Officer (or such other appropriate Company representative) on information security controls, education and awareness;

b. discuss with management the Company’s material information security risk exposures and the steps management has taken to monitor and control such exposures, including the Company’s risk assessment and risk management policies.

xii. Oversight Function

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate or are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the external auditor. The Audit Committee, its Chair and any of its members who have accounting or related financial management experience or expertise, are members of the Board, appointed to the Audit Committee to provide broad oversight of the financial disclosure, financial risk and control related activities of the Company, and are specifically not accountable nor responsible for the day-to-day operation of such activities. Although designation of a member or members as an "audit committee financial expert" is based on that individual's education and experience, which that individual will bring to bear in carrying out his or her duties on the Audit Committee, designation as an "audit committee financial expert" does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Audit Committee and Board in the absence of such designation. Rather, the role of any audit committee financial expert, like the role of all Audit Committee members, is to oversee the process and not to certify or guarantee the internal or external audit of the Company's financial information or public disclosure.

III. COMPOSITION OF AUDIT COMMITTEE

The Audit Committee shall consist of three or more directors, a majority of whom are resident Canadians (as defined in the *Canada Business Corporations Act*), and all of whom are unrelated and/or independent for the purposes of applicable Canadian and United States securities law and applicable rules of any stock exchange on which the Company's securities are listed. Each member of the Audit Committee shall be financially literate and at least one member shall have accounting or related financial management expertise (as those terms are defined from time to time under the requirements or guidelines for audit committee service under securities laws and the applicable rules of any stock exchange on which the Company's securities are listed for trading or, if it is not so defined, as that term is interpreted by the Board in its business judgment).

IV. APPOINTMENT OF AUDIT COMMITTEE MEMBERS

The members of the Audit Committee shall be appointed by the Board from time to time on the recommendation of the Governance and Risk Committee and shall hold office until the next annual meeting of shareholders or until their successors are earlier appointed or until they cease to be directors of the Company.

V. VACANCIES

Where a vacancy occurs at any time in the membership of the Audit Committee, it may be filled by the Board on the recommendation of the Governance and Risk Committee.

VI. AUDIT COMMITTEE CHAIR

The Board shall appoint a Chair of the Audit Committee who shall:

a. review and approve the agenda for each meeting of the Audit Committee and, as appropriate, consult with members of management;

b. preside over meetings of the Audit Committee;

c. make suggestions and provide feedback from the Audit Committee to management regarding information that is or should be provided to the Audit Committee;

d. report to the Board on the activities of the Audit Committee relative to its recommendations, resolutions, actions and concerns; and

e. meet as necessary with the internal and external auditor.

VII. ABSENCE OF AUDIT COMMITTEE CHAIR

If the Chair of the Audit Committee is not present at any meeting of the Audit Committee, one of the other members of the Audit Committee present at the meeting shall be chosen by the Audit Committee to preside at the meeting.

VIII. SECRETARY OF AUDIT COMMITTEE

The Corporate Secretary shall act as Secretary to the Audit Committee.

IX. MEETINGS

The Chair, or any two members of the Audit Committee, or the internal auditor, or the external auditor, may call a meeting of the Audit Committee. The Audit Committee shall meet at least quarterly. The Audit Committee shall meet periodically with management, the internal auditor and the external auditor in separate executive sessions.

X. QUORUM

A majority of the members of the Audit Committee, present in person or by telephone or other telecommunication device that permit all persons participating in the meeting to speak to each other, shall constitute a quorum.

XI. NOTICE OF MEETINGS

Notice of the time and place of every meeting shall be given in writing, facsimile communication or by other electronic means to each member of the Audit Committee at least 24 hours prior to the time fixed for such meeting; provided, however, that a member may in any manner waive a notice of a meeting. Attendance of a member at a meeting is a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

XII. ATTENDANCE OF COMPANY OFFICERS AND EMPLOYEES AT MEETING

At the invitation of the Chair of the Audit Committee, one or more officers or employees of the Company may attend any meeting of the Audit Committee.

XIII. PROCEDURE, RECORDS, AND REPORTING

The Audit Committee shall fix its own procedure at meetings, keep records of its proceedings and report to the Board when the Audit Committee may deem appropriate but not later than the next meeting of the Board.

XIV. REVIEW OF CHARTER AND EVALUATION OF AUDIT COMMITTEE

The Audit Committee shall review its Charter annually or otherwise, as it deems appropriate and, if necessary, propose changes to the Governance and Risk Committee and the Board. The Audit Committee shall annually review the Audit Committee's own performance.

XXV. OUTSIDE EXPERTS AND ADVISORS

The Audit Committee is authorized, when deemed necessary or desirable, to retain and set and pay the compensation for independent counsel, outside experts and other advisors, at the Company's expense, to advise the Audit Committee or its members independently on any matter.

XVI. RELIANCE

Absent actual knowledge to the contrary (which shall be promptly reported to the Board), each member of the Audit Committee shall be entitled to rely on (i) the integrity of those persons or organizations within and outside the Company from which it receives information, (ii) the accuracy of the financial and other information provided to the Audit Committee by such persons or organizations and (iii) representations made by management and the external auditor, as to any information technology, internal audit and other non-audit services provided by the external auditor to the Company and its subsidiaries.

Exhibit 99.2

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors

South Bow Corporation:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of South Bow Corporation (the Company) as of December 31, 2024 and 2023, the related consolidated statements of income, comprehensive income, cash flows and changes in shareholders' equity for each of the years in the two-year period ended December 31, 2024, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2024, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that is communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Allocation to the Company of corporate expenses incurred by TC Energy

As discussed in Note 2 to the consolidated financial statements, on July 27, 2023, TC Energy Corporation ("TC Energy" or the "Former Parent") announced plans to separate into two independent, investment-grade, publicly listed companies through the proposed spinoff of its Liquids Pipelines business (the "Spinoff"). On October 1, 2024, the Company completed the Spinoff from its Former Parent and formed a new publicly traded Company named South Bow Corporation. Prior to the Spinoff, the Company operated as a business unit within TC Energy. The consolidated financial statements present the historical results of operations, comprehensive income, cash flows, changes in shareholders' equity and the financial position as if the Company had always existed and operated as a stand-alone reporting entity. As a result, the consolidated statements of income and the balance sheets include indirect costs incurred by TC Energy that were attributable to the operations of the Company prior to the Spinoff. Indirect costs are the costs of support functions that are provided on a centralized basis by TC Energy and its affiliates (corporate expenses). Corporate expenses have been allocated to the Company based on a specific identification basis or, when specific identification is not practicable, a proportional cost allocation method primarily based on fully burdened internal labour costs, the value of in-service gross property, plant and equipment or other allocation methods that are considered to be a reasonable reflection of the utilization of services provided or benefit received by the Company during the periods presented, depending on the nature of the underlying expenditure. As discussed in Note 26 to the consolidated financial statements, in 2024, the Company recorded $94 million of allocated corporate expenses from TC Energy.

We identified the assessment of the allocation to the Company of corporate expenses incurred by TC Energy as a critical audit matter. The complexity of TC Energy's process for the determination of allocated corporate expenses to the Company involved significant audit effort and required complex auditor judgements.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the critical audit matter. This included controls related to TC Energy's determination of corporate expenses allocated to the Company. In addition, we performed the following:

- we evaluated the corporate cost allocation methodology used by TC Energy to allocate corporate expenses to the Company by comparing it to TC Energy's stated policies and practices for corporate cost allocations
- we evaluated reasonableness of the corporate cost allocation methodology by assessing the nature of the underlying expenditure relative to the allocation relationships used in the allocation process
- we assessed the accuracy of allocated corporate expenses by:
    - comparing a selection of centralized indirect costs incurred by TC Energy to underlying source documentation;
    - reperforming the calculation in the model used to allocate costs to the Company in accordance with TC Energy's corporate cost allocation methodology.

/s/ KPMG LLP

Chartered Professional Accountants

We have served as the Company's auditor since 2023.

Calgary, Canada
March 5, 2025

Consolidated Balance Sheets

U.S.$ millions	Note	December 31, 2024	2023
ASSETS			
Current Assets			
Cash and cash equivalents		**397**	262
Accounts receivable		**1,190**	1,344
Inventories	8	**207**	160
Environmental provision recovery	14	**—**	141
Contractual recoveries		**63**	63
Other current assets	7	**341**	644
Total Current Assets		**2,198**	2,614
Plant, Property and Equipment	9	**8,206**	8,428
Equity Investments	11	**732**	813
Deferred Tax Assets	16	**16**	6
Other Long-term Assets	12	**177**	171
TOTAL ASSETS		**11,329**	12,032
LIABILITIES			
Current Liabilities			
Accounts payable and other	13	**1,544**	2,075
Dividends payable	19	**104**	—
Accrued interest	18	**113**	—
Total Current Liabilities		**1,761**	2,075
Other Long-term Liabilities	15	**140**	110
Senior Unsecured Notes	18	**4,629**	—
Junior Subordinated Notes	18	**1,087**	—
Long-term Debt due to Former Parent	18	**—**	5,967
Deferred Income Tax Liabilities	16	**1,102**	1,040
Total Liabilities		**8,719**	9,192
SHAREHOLDERS' EQUITY			
Common shares (2024 - 208 million shares, 2023 - nil)	19	**2,196**	—
Former Parent's net investment		**—**	2,968
Additional paid-in capital		**661**	—
Retained deficit		**(49)**	—
Accumulated other comprehensive loss		**(198)**	(128)
Total Shareholders' Equity		**2,610**	2,840
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**11,329**	12,032

Commitments, Contingencies, and Guarantees (Note 24)

Variable Interest Entities (Note 25)

See accompanying notes to the consolidated financial statements.

On behalf of the Board of Directors of South Bow Corporation:

/s/ Hal Kvisle
Hal Kvisle, Board Chair and Director

/s/ Shannon Ryhorchuk
Shannon Ryhorchuk, Director and Audit Committee Chair

Consolidated Statements of Income

U.S.$ millions	Note	Years Ended December 31, 2024	2023
Revenues	6	**2,120**	2,005
Income from equity investments	11	**49**	50
Operating and Other Expenses			
Plant operating costs and other		**738**	710
Commodity purchases resold		**376**	351
Depreciation and amortization	9	**246**	244
Other		**15**	—
		1,375	1,305
Interest expense	18	**388**	220
Interest income and other	18	**(12)**	(32)
		376	188
Income before Income Taxes		**418**	562
Income tax expense			
Current	16	**43**	53
Deferred	16	**59**	67
		102	120
Net Income		**316**	442
Net Income per Common Share - basic	20	**1.52**	2.13
Net Income per Common Share - diluted	20	**1.52**	2.13
Weighted Average Number of Common Shares (millions) - basic		**208**	208
Weighted Average Number of Common Shares (millions) - diluted		**208**	208

Consolidated Statements of Comprehensive Income

U.S.$ millions	**Note**	Years Ended December 31, **2024**	2023
Net income		**316**	442
Foreign currency translation - net investment hedge		**(67)**	—
Foreign currency translation - other		**(9)**	(3)
Separation-related pension adjustment		**3**	—
Changes in pension estimate	21	**3**	—
Comprehensive Income		**246**	439

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

U.S.$ millions	Note	Years Ended December 31, 2024	2023
Operating Activities			
Net income		**316**	442
Depreciation and amortization	9	**246**	244
Write downs		**7**	—
Deferred income taxes	16	**59**	67
Income from equity investments	11	**(49)**	(50)
Distributions received from operating activities of equity investments	11	**70**	71
Unrealized losses on financial instruments	22	**6**	26
Other		**5**	13
Non-cash foreign exchange on senior long-term debt issued		**(69)**	—
Increase in operating working capital	23	**(62)**	(34)
Net cash provided by operations		**529**	779
Investing Activities			
Capital expenditures		**(122)**	(37)
Keystone XL contractual recoveries		**5**	8
Proceeds from sales of assets, net of transaction costs		**38**	93
Deferred amounts and other		**(1)**	(2)
Net cash (used in) provided by investing activities		**(80)**	62
Financing Activities			
Senior unsecured debt issued, net of issue costs	18	**3,448**	621
Junior subordinated debt issued, net of issue costs	18	**1,087**	—
Long-term debt repaid to affiliates of Former Parent	18	**(4,722)**	(971)
Exercised stock options	19	**9**	—
Parent's net investment distributions, net		**(121)**	(190)
Other		**(8)**	(37)
Net cash used in financing activities		**(307)**	(577)
Effect of foreign exchange rate changes on cash and cash equivalents		**(7)**	(6)
Increase in cash and cash equivalents		**135**	258
Cash and Cash Equivalents, Beginning of Year		**262**	4
Cash and Cash Equivalents, End of Year		**397**	262
Supplementary cash flow information			
Cash paid of income taxes		**49**	34
Capital expenditures non-cash accruals		**19**	10

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

U.S.$ millions	Note	Parent Net Investment	Share Capital	APIC [1]	Retained Deficit	AOCI [2]	Total
December 31, 2022		7,648	—	—	—	(125)	7,523
Net income		442	—	—	—	—	442
Distributions, net		(5,122)	—	—	—	—	(5,122)
Foreign currency translation		—	—	—	—	(3)	(3)
December 31, 2023		2,968	—	—	—	(128)	2,840
Distributions (to) from Former Parent		(3,229)	—	661	—	3	**(2,565)**
Net Income		261	—	—	55	—	**316**
Issuance of common shares	19	—	2,187	—	—	—	**2,187**
Exercise of stock options	19	—	9	—	—	—	**9**
Dividends declared	19	—	—	—	(104)	—	**(104)**
Change in pension estimates	21	—	—	—	—	3	**3**
Foreign currency translation - net investment hedge		—	—	—	—	(67)	**(67)**
Foreign currency translation - other		—	—	—	—	(9)	**(9)**
December 31, 2024		**—**	**2,196**	**661**	**(49)**	**(198)**	**2,610**

1. Additional paid-in capital.
2. Accumulated other comprehensive income (loss).

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

1. Description of the Business

South Bow Corporation ("South Bow" or the "Company") is a critical energy infrastructure company that owns and operates liquids pipelines and facilities extending across Canada and the United States ("U.S."), connecting significant crude oil supply to key refining and demand markets in the U.S. Midwest and Gulf Coast. South Bow's operations are presented in three reportable segments: Keystone Pipeline System, Marketing, and Intra-Alberta & Other.

2. Basis of Presentation and Accounting Policies

On July 27, 2023, TC Energy Corporation ("TC Energy" or the "Former Parent") announced plans to separate into two independent, investment-grade, publicly listed companies through the proposed spinoff of its Liquids Pipelines business (the "Spinoff"). On October 1, 2024, the Company completed the spinoff from its Former Parent and formed a new publicly traded Company named South Bow. Under the Spinoff transaction, TC Energy shareholders as of the close of business on the record date of September 25, 2024, received 0.2 of a South Bow common share in exchange for every one share of TC Energy common share held, while retaining their interest in TC Energy. South Bow's common shares commenced regular-way trading on the Toronto Stock Exchange ("TSX") on October 2, 2024 and on the New York Stock Exchange ("NYSE") on October 8, 2024, under the ticker symbol "SOBO".

South Bow adopted the United States dollar (“USD”, “U.S.$”, or "U.S. dollars") as its reporting currency upon Spinoff, as the majority of the Company operates within the U.S.

The financial statements for the period from October 1, 2024 to December 31, 2024 are consolidated financial statements of the Company. For periods prior to the Spinoff date, the financial statements are the consolidated and combined financial statements of TC Energy's Liquids Pipelines business. The financial statements for the period prior to the Spinoff date and for the period from October 1, 2024 to December 31, 2024 are collectively, the "consolidated financial statements". The consolidated financial statements present the historical results of operations, comprehensive income, cash flows, changes in shareholders’ equity and the financial position as if the Company had always existed and operated as a standalone reporting entity, and are prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") and presented in U.S. dollars. Refer to *Note 3, Accounting Policy Changes* for additional information.

South Bow operates certain investments that are jointly owned with third parties, and uses the equity method of accounting for joint ventures in which the Company is able to exercise joint control and for investments in which the Company is able to exercise significant influence.

The presentation of certain prior period comparatives have been updated for consistency with current year presentation.

Spinoff from TC Energy

Prior to the Spinoff, South Bow operated as a business unit within TC Energy. The consolidated and combined financial statements of TC Energy's Liquids Pipelines business for the period prior to the Spinoff date were prepared using information derived from the consolidated financial statements and accounting records of TC Energy, including the historical cost basis of assets and liabilities comprising the Company, as well as the historical revenues, direct costs, and allocations of indirect costs attributable to the operations of the Company. The aggregate net effect of transactions between the Company and the Former Parent that are not historically settled in cash have been reflected in the consolidated balance sheets as Former Parent’s net investment.

The consolidated financial statements include revenues and expenses that are specifically identifiable to the Company, as well as direct and indirect costs incurred by TC Energy that were attributable to the operations of the Company during the period prior to the Spinoff. Indirect costs are the costs of support functions that are provided on a centralized basis by TC Energy and its affiliates (“corporate expenses”), which include, but are not limited to, facilities, insurance, compliance, finance, human resources, benefits administration, supply chain, information technology, legal, corporate strategy, corporate governance, and other expenses that are either specifically identifiable or clearly applicable to the Company.

Corporate expenses have been allocated to the Company based on a specific identification basis or, when specific identification was not practicable, a proportional cost allocation method primarily based on fully burdened internal labour costs, the value of in-service gross plant, property and equipment or other allocation methods that are considered to be a reasonable reflection of the utilization of services provided or benefit received by the Company during the periods presented, depending on the nature of the underlying expenditure. These allocations have been primarily done through the Former Parent's corporate cost allocation methodology. Management considers that such allocations have been made on a reasonable basis consistent with benefits received but may not necessarily be indicative of the costs that would have been incurred if the Company had been operated on a standalone basis for the periods presented, nor are they indicative of the Company's future expenses.

Effective October 1, 2024, the Spinoff was completed and South Bow began operating as an independent entity, resulting in a change in reporting entity.

Assets and liabilities transferred to South Bow through the Spinoff have been recorded at their carrying amounts within the consolidated financial statements. Adjustments to assets and liabilities transferred on the Spinoff date, as applicable, have been recorded against additional paid-in capital within shareholders' equity on the consolidated balance sheets.

Revenues and expenses before and after the Spinoff have been combined and recorded within the statements of income and comprehensive income for the year ended December 31 periods presented.

Common shares represent the common shares issued by South Bow pursuant to the Spinoff, which do not have a par value. The Company has used an established stated value per share based off the pro-rata share of its Former Parent's paid-up capital immediately prior to the Spinoff. As a result, common shares reflect the stated value of the shares with the residual amount credited to additional paid-in capital.

Transactions with the Former Parent and its affiliates were previously classified as related party transactions; however, this relationship ceased subsequent to the Spinoff date. Refer to *Note 26, Related Party Transactions* for details.

The Spinoff was executed under a separation agreement (the "Separation Agreement") as well as additional other agreements which outline the Company's transition of services and relationship with TC Energy. Refer to *Note 4, Spinoff Transaction* for additional information on these agreements and nature of transactions.

Use of Estimates and Judgments

In preparing these consolidated financial statements, South Bow is required to make estimates and assumptions that affect both the amount and timing of recording assets, liabilities, revenues, and expenses since the determination of these items may be dependent on future events. The Company uses the most current information available and exercises careful judgment in making these estimates and assumptions.

Significant items subject to estimates and judgments include, but are not limited to:

- recoverability and depreciation rates of plant, property and equipment (Note 9);
- assumptions used to measure the environmental remediation liability from the Milepost 14 ("MP-14") pipeline incident (Note 14);
- provisions for income taxes, including valuation allowances and releases (Note 16);
- fair value of financial instruments (Note 22);
- provisions for commitments, contingencies, and guarantees (Note 24); and
- allocation of costs from its Former Parent (Note 26).

Actual results could differ from these estimates.

Accounting Policies

Regulatory Bodies

The Company's liquids pipelines are regulated by, but not limited to, the Canada Energy Regulator ("CER"), Federal Energy Regulatory Commission ("FERC"), Alberta Energy Regulator ("AER"), Pipeline and Hazardous Materials Safety Association ("PHMSA"), and the Railroad Commission of Texas. These regulatory bodies exercise statutory authority over matters such as construction, operations, approval of rates and commercial agreements, and the abandonment and decommissioning of assets. As at December 31, 2024, the Company is involved in variable toll disputes filed by customers with the CER and FERC. Refer to *Note 24, Commitments, Contingencies, and Guarantees* for additional information.

Revenue Recognition

The total consideration for services and products to which the Company expects to be entitled can include fixed and variable amounts. The Company has variable revenue that is subject to factors outside the Company's influence, such as market prices, actions of third parties, and weather conditions. The Company considers this variable revenue to be "constrained" as it cannot be reliably estimated and, therefore, recognizes variable revenue when the service is provided.

Revenues from contracts with customers are recognized net of any commodity taxes collected from customers, which are subsequently remitted to governmental authorities. The Company's contracts with customers include pipeline capacity arrangements, transportation contracts, and other contracts.

Revenues from the Company's pipelines are generated mainly from providing customers with firm capacity arrangements to transport crude oil. The performance obligation in these contracts is the reservation of a specified amount of capacity, together with the transportation of crude oil on a monthly basis. Revenues earned from these arrangements are recognized ratably over the term of the contract regardless of the amount of crude oil that is transported. Revenues for volumetric-based services are recognized when the service is performed. Pipeline revenues are invoiced and received on a monthly basis. The Company does not take ownership of the crude oil that it transports for customers within its liquids pipelines business.

Revenues from the Company's marketing activities are earned through purchase and sale of crude oil, which is recorded on a net basis in the month of delivery. The Marketing segment has a contract where it is acting as the principal in the transaction and the marketing activities are not held-for-trading purposes. The related commodity purchases resold under this contract are recorded on a gross basis.

Cash and Cash Equivalents

Cash and cash equivalents include short-term investments with a term to maturity of three months or less. The Company's cash and cash equivalents are recorded at cost, which approximates fair value.

Inventories

Inventories primarily consist of proprietary crude oil that is in transit or in storage, as well as materials and supplies, which include spare parts. Inventories are carried at the lower of cost, as determined on a weighted average basis, and net realizable value.

Assets Held for Sale

The Company classifies assets as held for sale when Management approves and commits to a formal plan to actively market a disposal group and expects the sale to close within the next 12 months. Upon classifying an asset as held for sale, the asset is recorded at the lower of its carrying amount or its estimated fair value, net of selling costs, and any losses are recognized in net income. Gains related to the expected sale of these assets are not recognized until the transaction closes. Once an asset is classified as held for sale, depreciation expense is no longer recorded.

Plant, Property and Equipment

Plant, property and equipment is carried at cost. Depreciation is calculated on a straight-line basis once the assets are ready for their intended use. Pipeline and pumping equipment are depreciated at annual rates ranging from two per cent to 2.5 per cent and other plant, property and equipment are depreciated at various rates, reflecting their estimated useful lives. The cost of these assets includes interest capitalized during construction. When the Company retires plant, property and equipment from service, the original book cost and related accumulated depreciation are derecognized and any gain or loss is recorded in net income.

Leases

The Company determines if a contract contains a lease at inception of a contract by using judgment in assessing the following aspects: i) the contract specifies an identified asset that is physically distinct or, if not physically distinct, represents substantially all of the capacity of the asset; ii) the contract provides the customer with the right to obtain substantially all of the economic benefits from the use of the asset; and iii) the customer has the right to direct how and for what purpose the identified asset is used throughout the period of the contract.

Lessee Accounting Policy

Operating leases are recognized as right-of-use ("ROU") assets and are included in plant, property and equipment while corresponding liabilities are included in accounts payable and other and other long-term liabilities on the consolidated balance sheets.

Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date of the lease agreement. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. South Bow's lease contracts do not provide an implicit interest rate, so the Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of future payments. Operating lease expense is recognized on a straight-line basis over the lease term and included in plant operating costs and other in the consolidated statements of income.

The Company applies the practical expedient to not recognize ROU assets or lease liabilities for leases that qualify for the short-term lease recognition exemption.

Impairment of Long-lived Assets

The Company reviews long-lived assets such as plant, property and equipment and capital projects in development for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. If the total of the estimated undiscounted future cash flows for an asset within plant, property and equipment, or the estimated selling price of any long-lived asset is less than the carrying value of an asset, an impairment loss is recognized for the excess of the carrying value over the estimated fair value of the asset.

Impairment of Equity Method Investments

The Company reviews equity method investments for impairment when an event or change in circumstances has a significant adverse effect on the investment's fair value. Where the Company concludes an investment's fair value is below its carrying value, the Company then determines whether the decline in value is other-than-temporary, and if so, an impairment loss is recognized for the excess of the carrying value over the estimated fair value of the investment, not exceeding the carrying value of the investment.

Impairment of Financial Assets

The Company reviews financial assets carried at amortized cost for impairment using the lifetime expected loss of the financial asset at initial recognition and throughout the life of the financial asset. An expected credit loss ("ECL") is calculated using a model and methodology based on assumptions and judgment, considering historical data, current counterparty information, as well as reasonable and supportable forecasts of future economic conditions. The ECL is recognized in plant operating costs and other on the consolidated statements of income, and is presented on the consolidated balance sheets as a reduction to the carrying value of the related financial asset.

Restricted Investments

The Company has certain investments that are restricted as to their withdrawal and use. These restricted investments are classified as available for sale and are recorded at fair value on the consolidated balance sheets in other long-term assets. As a result of the CER's Land Matters Consultation Initiative ("LMCI"), South Bow is required to collect funds to cover estimated future pipeline abandonment costs for its CER-regulated pipelines. Funds collected are placed in trusts and invested until withdrawn to fund decommissioning and abandonment activities, and therefore are accounted for as restricted investments ("LMCI restricted investments"). LMCI restricted investments may only be used to fund the abandonment of the CER-regulated pipeline facilities; therefore, a corresponding liability is recorded on the consolidated balance sheets in other long-term liabilities.

Receivables

Accounts receivable are measured at amortized cost.

Income Taxes

The Company uses the asset and liability method of accounting for income taxes. This method requires the recognition of deferred income tax assets and liabilities for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates at the balance sheet date that are anticipated to apply to taxable income in the years in which temporary differences are expected to be reversed or settled. Changes to these balances are recognized in net income in the period in which they occur. Deferred income tax assets and liabilities are classified as non-current on the consolidated balance sheets. A valuation allowance is applied if it is more likely than not that some or all of the deferred tax assets will not be realized, based on available evidence and future taxable income estimates. The Company recognizes the financial effects of tax positions when it is more likely than not that the position will be sustained upon examination. The Company's exposure to uncertain tax positions is evaluated and a provision is made where it is more likely than not that this exposure will materialize.

Environmental Liabilities

The Company generally records liabilities on an undiscounted basis for environmental remediation efforts that are likely to occur and where the cost can be reasonably estimated. These estimates, including associated legal costs, are based on available information using existing technology and enacted laws and regulations, and are subject to revision in future periods based on actual costs incurred or new circumstances. The Company evaluates recoveries from insurers and other third parties separately from the liability and, when recovery is probable, it records an asset separately from the associated liability. These recoveries are presented, along with environmental remediation costs, on a net basis in plant operating costs and other in the consolidated statements of income. Variations in one or more of the categories described above could result in additional costs such as fines, penalties and/or expenditures associated with litigation, and settlement of claims with respect to environmental liabilities.

Asset Retirement Obligations

Asset retirement obligations ("ARO") associated with the retirement of the Company's long-lived assets are measured at fair value and recognized as other current or other long-term liabilities in the period when they can be reasonably estimated. Currently given the indeterminate timing and scope of asset retirements of the Company's long-lived assets, it is not possible to make a reasonable estimate of ARO. The fair value of ARO estimates are meant to represent the cost a third party would charge to perform the required work to decommission the assets, and is recognized at the present value of expected future cash flows when an estimate is available.

Employee Post-retirement Benefits

The Company sponsors defined benefit pension plans and defined contribution plans (collectively, the "Plans"). The Company's defined benefit plans are closed to new employees subsequent to January 1, 2024 and the defined contribution plans are open to new entrants. The cost of the Plans received by employees is determined using the projected benefit method, pro-rated based on service and Management's best estimate of actuarial assumptions such as expected plan investment performance, salary escalation, and retirement age of employees. The Company's share of the Plans' assets and liabilities transferred from its Former Parent upon Spinoff have been accounted for in the year ended December 31, 2024.

The Plans' assets are measured at fair value at December 31 of each year. The expected return on the Plans' assets is determined using market-related values based on a five-year moving average value for all of the Plans' assets. The Company recognizes the overfunded or underfunded status of its Plans as an asset or liability, respectively, on its consolidated balance sheets and recognizes changes in that funded status through other comprehensive income ("OCI") in the year in which the change occurs. The excess of net actuarial gains or losses over 10 per cent of the greater of the benefit obligation and the market-related value of the Plans' assets, if any, is amortized out of accumulated other comprehensive income (loss) ("AOCI") and into net income over the average remaining service periods of the active participants. When the restructuring of a benefit plan gives rise to both a curtailment and a settlement, the curtailment is accounted for prior to the settlement. Post-retirement benefit amounts are recoverable through tolls as benefits are funded.

Foreign Currency Transactions and Translation

Foreign currency transactions are those transactions whose terms are denominated in a currency other than the currency of the primary economic environment in which the Company or combined entity operates. This is referred to as the functional currency. Transactions denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency using the rate of exchange in effect at the balance sheet date, whereas non-monetary assets and liabilities are translated at the historical rate of exchange in effect on the date of the transaction. Foreign exchange gains and losses resulting from translation of monetary assets and liabilities are recorded in net income.

Gains and losses arising from translation of foreign operations' functional currencies to the Company's U.S. dollar reporting currency are reflected in OCI until the operations are sold, at which time the gains and losses are reclassified to net income. Asset and liability accounts are translated at the period-end exchange rates, while revenues, expenses, gains and losses, and equity items are translated at the average monthly exchange rates.

Derivative Instruments and Hedging Activities

All derivative instruments are recorded on the consolidated balance sheets at fair value, unless they qualify for and are designated under a normal purchase and normal sales exemption, or are considered to meet other permitted exemptions.

Derivatives are used as economic hedges and for proprietary trading strategies in the Company's marketing business. These derivatives do not meet the specific criteria for hedge accounting treatment and therefore, the changes in fair value are recorded in net income in the period of change.

Derivatives embedded in other financial instruments or contracts (host instrument) are recorded as separate derivatives. Embedded derivatives are measured at fair value if their economic characteristics are not clearly and closely related to those of the host instrument, their terms are the same as those of a standalone derivative, and the total contract is not held-for-trading or accounted for at fair value. When changes in the fair value of embedded derivatives are measured separately, they are included in net income.

Net Investment Hedges

Net investment hedges are used by the Company to hedge its net investments in foreign operations against foreign currency exposure. South Bow has only used non-derivative instruments as net investment hedges. At inception, the net investment hedge is formally identified, designated and documented, and hedge effectiveness is assessed. Changes in the fair value of the net investment hedge are recognized in OCI with any ineffective portions recognized in current earnings.

Variable Interest Entities

A variable interest entity ("VIE") is a legal entity that does not have sufficient equity at risk to finance its activities without additional subordinated financial support or is structured such that equity investors lack the ability to make significant decisions relating to the entity's operations through voting rights or do not substantively participate in the gains and losses of the entity. The assessment of whether an entity is a VIE and, if so, whether the Company is the primary beneficiary, is completed at the inception of the entity or at a reconsideration event.

Consolidated VIEs

The Company's consolidated VIEs consist of legal entities where the Company has a variable interest and for which it is considered the primary beneficiary. As the primary beneficiary, the Company has the power, through voting or similar rights, to direct the activities of the VIE that most significantly impact economic performance including: purchasing or selling significant assets; maintenance and operations of assets; incurring additional indebtedness; or determining the strategic operating direction of the entity. In addition, the Company has the obligation to absorb losses or the right to receive benefits from the consolidated VIE that could potentially be significant to the VIE.

Non-consolidated VIEs

The Company's non-consolidated VIEs consist of legal entities where the Company has a variable interest but is not the primary beneficiary as it does not have the power (either explicit or implicit), through voting or similar rights, to direct the activities that most significantly impact the economic performance of these VIEs or where this power is shared with third parties. The Company contributes capital to these VIEs and receives ownership interests that provide it with residual claims on assets after liabilities are paid. Non-consolidated VIEs are accounted for as equity investments.

The Company's maximum exposure to loss is the maximum loss that could potentially be recorded through net income in future periods as a result of the Company's variable interest in a VIE.

Share-based Compensation

South Bow records share-based compensation for its long-term incentive plans, which includes stock options, restricted share units ("RSUs"), performance share units ("PSUs"), and deferred share units ("DSUs"). The Company established these plans upon Spinoff, which the existing grants and awards from the Company's Former Parent transferred to South Bow with similar contractual terms and valuations.

The stock option plan permits options for the purchase of common shares to be awarded to certain employees, including officers. Stock options granted are recorded using the fair value method. Under this method, compensation expense is measured at the grant date based on the fair value and is recognized on a straight-line basis over the vesting period, with an offset to contributed surplus. Forfeitures are accounted for when they occur. Upon exercise of stock options, amounts originally recorded against additional paid-in capital are reclassified to common shares within shareholders' capital on the consolidated balance sheets. No stock options have been granted under the Former Parent or South Bow's plans since 2023.

The expense related to RSU, PSU, and DSU incentive plans is accounted for on a liability basis. Under these plans, benefits vest when certain conditions are met, including the employees' continued employment during a specified period and for PSUs only, achievement of specified corporate performance targets. RSUs, PSUs, and DSUs accrue dividend equivalent units based on record date, increasing awards outstanding over time.

3. Accounting Policy Changes

Changes in Accounting Policies

Change in Reporting Currency

Prior to Spinoff, the Company reported under the Former Parent's reporting currency, Canadian dollars. Upon Spinoff, the Company has designated the U.S. dollar as its reporting currency for the period ended December 31, 2024, as described in *Note 2, Basis of Presentation and Accounting Policies*. Certain entities within the Company have a functional currency of Canadian dollars and are translated into U.S. dollars for consolidation reporting purposes. As required by ASC 830 *Foreign Currency Matters*, this change in reporting currency has been applied retrospectively to all periods presented in the annual consolidated financial statements as follows:

- statements of income and comprehensive income have been translated from the previous Canadian dollar currency into U.S. dollar using the respective monthly average foreign exchange rate for each month within the annual reporting period presented;
- assets and liabilities presented on the consolidated balance sheets have been translated using the foreign exchange rate on the respective balance sheet dates; and
- opening shareholders' equity at January 1, 2023 has been translated at the historical rate on that day and movements in shareholders' equity subsequent to this date have been translated using the historical rate on the date of the respective transaction.

Change in Reportable Segments

As a result of the Spinoff, the Company underwent a reorganization of its internal structure and reporting framework, triggering a change in reportable segments per ASC 280 *Segment Reporting.* The changes were reviewed by South Bow's Chief Executive Officer ("CEO"), whom is the Chief Operating Decision Maker ("CODM") and the reportable segments were updated to align with the Company's operations and reporting structure, which differ from the Former Parent. This change in reportable segments has been applied retrospectively to all periods presented in the consolidated financial statements. Refer to *Note 5, Segment Results* for additional information.

Accounting Changes Adopted

Amendments to Segment Reporting

In November 2023, the Financial Accounting Standards Board ("FASB") issued ASU 2023-07 *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* to enhance disclosures regarding a public entity's reportable segments and address requests from investors for more detailed information about a reportable segment's expenses. The guidance is effective for annual periods beginning January 1, 2024, and interim periods beginning January 1, 2025. The Company has adopted the standard as of December 31, 2024 and applied changes in disclosures retrospectively to periods presented in the consolidated financial statements. Refer to *Note 5, Segment Results* for additional information.

Future Accounting Changes Not Yet Adopted

Amendments to Income Taxes

In December 2023, the FASB issued ASU 2023-09 *Improvements to Income Tax Disclosures* to enhance the transparency and decision usefulness of income tax disclosures through improvements to the rate reconciliation and income taxes paid information. The guidance also includes certain other amendments to improve the effectiveness of income tax disclosures. This new guidance is effective for the annual period beginning January 1, 2025. The guidance is applied prospectively with retrospective application permitted. Early adoption is permitted for annual financial statements not yet issued. The Company has chosen not to early adopt this guidance and is evaluating the impact on its consolidated financial statements and related disclosures.

Disaggregation of Income Statement Expenses

In November 2024, the FASB issued ASU 2024-03 *Disaggregation of Income Statement Expenses,* which requires additional disclosures about certain costs and expenses in the notes to the consolidated financial statements. This new guidance is effective for annual periods beginning after December 15, 2026, and interim periods within annual periods beginning after December 15, 2027, with early adoption permitted. The guidance is to be applied prospectively, with retrospective application permitted. The Company has chosen not to early adopt this guidance and is currently evaluating the impact on its consolidated financial statements and related disclosures.

4. Spinoff Transaction

The Spinoff, as described in *Note 2, Basis of Presentation and Accounting Policies* , was executed under a Separation Agreement with various other agreements outlining the governance of the Company's relationship with the Former Parent during a transition period, including, but not limited to, Transition Services Agreement ("TSA"), Tax Matters Agreement ("TMA"), and Employee Matters Agreement ("EMA").

The Separation Agreement outlines key provisions of the separation of South Bow into a standalone entity and specifies the assets, liabilities, and contracts assigned to the Company in the Spinoff as well as certain indemnification obligation arrangements for ongoing matters which existed prior to Spinoff. Under this agreement, TC Energy will indemnify South Bow for 86 per cent of total assets, liabilities, and costs associated with the Milepost 14 incident, Keystone XL recoveries, and the existing variable toll disputes on the Keystone Pipeline System (excluding any future disputes with respect to the variable toll after October 1, 2024) subject to a maximum liability to South Bow of $21 million (C$30 million), in aggregate. Any amounts that may ultimately be payable in respect of these net liabilities and costs above the current accrued amount are indeterminable at this time and subject to estimation uncertainty.

The TSA outlines the terms between South Bow and TC Energy's relationship during the interim transition period and outlines certain services that TC Energy will provide to South Bow, for compensation, for a period of up to two years. These services primarily include access to and support of systems that South Bow will continue to use until it has fully implemented new systems to support its business processes as well as warehouse management services.

The TMA governs South Bow's and TC Energy's tax rights and obligations subsequent to Spinoff. The agreement imposes certain restrictions on both South Bow and TC Energy in order to preserve the tax-free status of the Spinoff. In the event the Spinoff is not tax-free, the agreement allocates tax liabilities by generally assigning responsibility to either South Bow or TC Energy to the extent that the failure to qualify is attributable to actions, events or transactions, or a breach of the representations or covenants made by that entity.

The EMA outlines employment-related terms including transfers of employment agreements and their associated benefits and liabilities.

On August 28, 2024, South Bow completed an initial notes offering of U.S. and Canadian dollar-denominated senior unsecured notes and U.S. dollar-denominated junior subordinated notes. During the year, the Company repaid all long-term debt to affiliates of its Former Parent. Refer to *Note 18, Long-term Debt* for additional information.

The Former Parent billed the Company $5 million for services pursuant to the TSA for the year ended December 31, 2024.

The following table summarizes the indemnity-related balances with the Company's Former Parent at December 31, 2024:

U.S.$ millions		As at December 31, 2024		
Transaction	**Note**	**Gross Asset (Liability)**	**Former Parent Net Asset (Liability)** [1]	**Net Asset (Liability)**
Keystone XL contractual recoveries [2]	13	**56**	**48**	**8**
Variable toll disputes - CER [3]	13, 24	**114**	**98**	**16**
Variable toll disputes - FERC [3]	7, 24	**(51)**	**(44)**	**(7)**
MP-14 costs [4]	13, 24	**(30)**	**(26)**	**(4)**

1. Represents the net asset (liability) attributable to the Former Parent.
2. Contractual recoveries from backstop agreements as a result of the cancellation of the Keystone XL project.
3. Ongoing variable toll disputes filed by customers with the CER and FERC.
4. Amounts related to estimated costs for the MP-14 pipeline incident that occurred in 2022.

5. Operating Segments Results

South Bow operates through three reportable segments: Keystone Pipeline System, Marketing, and Intra-Alberta & Other. These segments are aligned with the Company's internal management structure and represent distinct business operations which provide products and services within areas of operation.

The Keystone Pipeline System segment consists of the Company's primary liquid pipeline system which connects crude oil production in Hardisty, Alberta to key refining and demand markets in the U.S. Midwest and Gulf Coast. Revenue is primarily generated through committed contracts, whereby customers receive access to pipeline capacity and the transportation of crude oil in exchange for a committed monthly payment.

South Bow's Marketing business provides customers with a variety of crude oil marketing services, including transportation, storage, and logistics.

South Bow’s Intra-Alberta pipelines are comprised of the Grand Rapids Pipeline and White Spruce Pipeline, which provide crude oil transportation from Alberta’s oil sands region to terminals in the Edmonton and Heartland refining and market regions. Revenue is generated through committed contracts, whereby customers receive access to pipeline capacity and the transportation of crude oil in exchange for a committed monthly payment. This segment also includes other activities that support South Bow’s operations and business development efforts including financing activities.

South Bow's CODM is the CEO. The segments' financial performance is assessed based on normalized earnings before interest, income taxes, and depreciation and amortization ("normalized EBITDA"). The CODM reviews budget-to-actual variances on a monthly basis and uses this information when making decisions about allocating resources to segments. The accounting policies as outlined in *Note 2, Basis of Presentation and Accounting Policies* are applied consistently across reporting segments. The CODM monitors segment long-term assets as the measure of total assets.

The following table summarizes segment results for the year ended December 31, 2024:

Year Ended December 31, 2024 *U.S.$ millions*	**Keystone Pipeline System**	**Marketing**	**Intra-Alberta & Other**	**Total**
Capacity arrangements and transportation	1,638	—	24	**1,662**
Marketing activities	—	453	—	**453**
Other revenues	5	—	—	**5**
Segment revenues [1]	**1,643**	**453**	**24**	**2,120**
Income from equity investments	10	—	39	**49**
Plant operating costs and other	(624)	(73)	(41)	**(738)**
Commodity purchases resold	—	(376)	—	**(376)**
Other segment expenses [2]	(1)	8	29	**36**
Segment normalized EBITDA	**1,028**	**12**	**51**	**1,091**
Reconciliation to consolidated net income before income taxes				
Interest expense [3]	(1)	(1)	(386)	**(388)**
Depreciation and amortization	(238)	—	(8)	**(246)**
Interest income and other	3	3	6	**12**
Normalizing items [4]	(14)	(8)	(29)	**(51)**
Income (loss) before income taxes	**778**	**6**	**(366)**	**418**
Plant, property and equipment	7,960	6	240	**8,206**
Equity investments	104	—	628	**732**
Other [5]	131	22	40	**193**
Segment long-term assets	**8,195**	**28**	**908**	**9,131**
Capital expenditures [6]	35	—	106	**141**

1. The CODM reviews segment normalized EBITDA with intersegment transactions between entities eliminated. During the year ended December 31, 2024, the Marketing segment transacted with the Keystone Pipeline System resulting in $152 million of intercompany revenue in Keystone Pipeline System with an offsetting expense in Marketing. These transactions are eliminated in segment normalized EBITDA reported to the CODM.
2. Other segment items for all segments include normalizing items which are not representative of the segments' core operations and adjusted out of segment normalized EBITDA. These include other expenses per the consolidated statements of income, impairment charges, unrealized gains (losses) on derivatives, adjustments relating to variable toll disputes, gains on asset sales, and separation costs associated with the Spinoff.
3. Interest expense is associated with the Company's long-term debt recorded in entities within the Intra-Alberta & Other segment. These amounts are not allocated to other segments.
4. Normalizing items are added back to normalized EBITDA to reconcile to consolidated income before income taxes.
5. Includes deferred tax assets.
6. Capital expenditures for additions to long-lived assets include non-cash accruals.

The following table summarizes segment results for the year ended December 31, 2023:

Year Ended December 31, 2023 *U.S.$ millions*	Keystone Pipeline System	Marketing	Intra-Alberta & Other	Total
Capacity arrangements and transportation	1,551	—	17	**1,568**
Marketing activities	—	432	—	**432**
Other revenues	5	—	—	**5**
Segment revenues [1]	**1,556**	**432**	**17**	**2,005**
Income from equity investments	10	—	40	**50**
Plant operating costs and other	(637)	(64)	(9)	**(710)**
Commodity purchases resold	—	(351)	—	**(351)**
Other segment items [2]	52	25	3	**80**
Segment normalized EBITDA	**981**	**42**	**51**	**1,074**
Reconciliation to consolidated net income before income taxes				
Interest expense [3]	(7)	(2)	(211)	**(220)**
Depreciation and amortization	(239)	—	(5)	**(244)**
Interest income and other	4	4	24	**32**
Other normalizing items [4]	(52)	(25)	(3)	**(80)**
Income (loss) before income taxes	**687**	**19**	**(144)**	**562**
Plant, property and equipment	8,283	10	135	**8,428**
Equity investments	108	—	705	**813**
Other	112	29	36	**177**
Segment long-term assets	**8,503**	**39**	**876**	**9,418**
Capital expenditures [5]	40	1	6	**47**

1. The CODM reviews segment normalized EBITDA with intersegment transactions between entities eliminated. During the year ended December 31, 2023, the Marketing segment transacted with the Keystone Pipeline System resulting in $140 million of intercompany revenue in Keystone Pipeline System with an offsetting expense in Marketing. These transactions are eliminated in segment information reported to the CODM.
2. Other segment items for all segments include normalizing expenses which are not representative of the segments' core operations. These include asset impairment charges, settlements, unrealized gains (losses) on derivatives, adjustments relating to variable toll disputes, gains on asset sales, and separation costs associated with the Spinoff.
3. Interest expense is associated with the Company's long-term debt recorded in entities within the Intra-Alberta & Other segment. These amounts are not allocated to other segments.
4. Other normalizing items are added back to reconcile to consolidated income before income taxes.
5. Capital expenditures for additions to long-lived assets exclude non-cash accruals.

Entity-wide Information

South Bow operates within the U.S. and Canada and has assets within each country and offers services in each country. Revenues are generated in the country where the service is provided. The following tables summarize South Bow's revenues and plant, property and equipment by country:

U.S.$ millions	Year Ended December 31, **2024**	2023
U.S.	**1,675**	1,557
Canada - export	**427**	431
Canada - domestic	**18**	17
Total revenues by country	**2,120**	2,005

U.S.$ millions	As at December 31, **2024**	2023
U.S.	**6,640**	6,800
Canada	**1,566**	1,628
Plant, property and equipment by country	**8,206**	8,428

6. Revenues

Disaggregation of Revenues

U.S.$ millions	Year Ended December 31, **2024**	2023
Revenues from contracts with customers		
Capacity arrangements and transportation [1]	**1,662**	1,568
Marketing activities [2]	**453**	432
Other revenues	**5**	5
Total revenues	**2,120**	2,005

1. Capacity arrangements and transportation revenues include $24 million (2023 – $17 million) relating to the Intra-Alberta & Other segment. The remaining revenue relates to the Company's Keystone Pipeline System segment.
2. Relates to revenue from the Company's marketing activities and financial instruments. Refer to *Note 22, Risk Management and Financial Instruments* for additional information.

For the year ended December 31, 2024, three major customers accounted for $ 630 million, $322 million, and $175 million, respectively, in revenues, each representing more than 10 per cent of total revenues from contracts with customers (2023 – four major customers: $635 million, $308 million, $174 million, and $167 million, respectively).

Contract Balances

U.S.$ millions	As at December 31, **2024**	2023	**Affected Line Item on the Consolidated Balance Sheets**
Receivables from contracts with customers	**329**	337	Accounts receivable
Contract liabilities [1] (Note 13)	**15**	17	Accounts payable and other
Long-term contract liabilities (Note 15)	**19**	17	Other long-term liabilities

1. During the year ended December 31, 2024, $17 million (2023 – $17 million) of revenues were recognized that were included in contract liabilities at the beginning of the year.

Contract liabilities and long-term contract liabilities represent unearned revenue for contracted services.

Future Revenues from Remaining Performance Obligations

As at December 31, 2024, future revenues from long-term pipeline capacity arrangements and transportation contracts extending through 2044 are approximately $6.1 billion, of which approximately $835 million is expected to be recognized in 2025.

Revenues related to the following are not included in the future revenues above:

- contracts with performance obligations that has original expected duration of one year or less; and
- constrained variable considerations from uncontracted capacity as volumes cannot be estimated.

7. Other Current Assets

U.S.$ millions	As at December 31, **2024**	2023
Fair value of derivative contracts (Note 22)	**188**	527
Cash provided as collateral	**66**	70
Keystone XL assets held for sale [1]	**—**	44
Prepaid assets	**28**	3
FERC variable toll disputes [2] (Note 4)	**44**	—
Other	**15**	—
	341	644

1. The Company designated certain Keystone XL assets as held for sale at December 31, 2023. At December 31, 2024, the $9 million of the remaining assets are no longer designated as held for sale and are recorded in plant, property and equipment.
2. Receivables from the Company's Former Parent under the indemnity agreements. Gross liability recorded in accounts payable and other.

8. Inventories

U.S.$ millions	As at December 31, **2024**	2023
Crude oil	**173**	128
Materials and supplies	**34**	32
	207	**160**

9. Plant, Property and Equipment

	As at December 31,					
	2024			2023		
U.S.$ millions	**Cost**	**Accumulated Depreciation**	**Net Book Value**	Cost	Accumulated Depreciation	Net Book Value
Keystone Pipeline System						
Pipelines	**7,156**	**1,799**	**5,357**	7,247	1,677	5,570
Pumping equipment	**813**	**248**	**565**	830	236	594
Tanks and other	**2,708**	**731**	**1,977**	2,766	690	2,076
Under construction	**60**	**—**	**60**	42	—	42
	10,737	**2,778**	**7,959**	10,885	2,603	8,282
Intra-Alberta & Other						
Pipelines	**100**	**13**	**87**	108	12	96
Tanks and other [1]	**84**	**9**	**75**	43	7	36
Under construction	**62**	**—**	**62**	3	—	3
	246	**22**	**224**	154	19	135
Marketing	**1**	**—**	**1**	1	—	1
ROU Assets (Note 10)	**39**	**17**	**22**	22	12	10
Total	**11,023**	**2,817**	**8,206**	11,062	2,634	8,428

1. Includes capital expenditures incurred relating to office spaces and leasehold improvements upon Spinoff.

10. Leases

The Company incurs operating lease expenses for corporate office space and equipment to support its operations and administrative functions. Remaining lease terms at December 31, 2024 range from one to 12 years. During the year ended December 31, 2024, the Company entered into a 12-year lease contract for its Calgary office space. Prior to the Spinoff, the Company shared office leases with its Former Parent.

	As at December 31,	
U.S.$ millions	**2024**	2023
Operating lease ROU assets [1]	**22**	10
Operating lease liabilities - current [2]	**—**	4
Operating lease liabilities - long-term [2]	**22**	6
Total operating lease liabilities	**22**	10
Weighted average remaining lease term (years)	**9.1**	4.8
Weighted average discount rate	**4.8 %**	4.7 %

1. Reported in plant, property and equipment in the consolidated balance sheets.
2. Current operating lease liabilities and long-term operating lease liabilities are reported in accounts payable and other and other long-term liabilities, respectively, in the consolidated balance sheets. The December 31, 2024 current lease liabilities is made up of a $7 million current lease obligation offset by a $7 million lease incentive to be received in 2025.

For the years ended December 31, 2024 and 2023, South Bow incurred operating lease expenses, including short-term leases, of $ 3 million and $3 million, respectively. Operating lease expenses are reported under plant operating costs and other in the consolidated statements of income.

During the year ended December 31, 2024 and 2023, the Company made cash payments associated with leases of $ 6 million and $5 million, respectively. Cash payments relating to operating leases are recorded within operating activities in the consolidated statements of cash flows.

Future lease operating lease payments are as follows:

U.S.$ millions	**Payments**
2025 [1]	**(2)**
2026	**4**
2027	**4**
2028	**4**
2029	**4**
Thereafter	**16**
Total undiscounted lease payments	**30**
Less: imputed interest	**(8)**
Total operating lease liability	**22**

1. Includes a cash inflow of $7 million for lease incentives.

11. Equity Investments

		Income from Equity Investments		**Equity Investments**	
		Year Ended December 31,		**As at December 31,**	
U.S.$ millions	**Ownership Interest at December 31, 2024**	**2024**	2023	**2024**	2023
Grand Rapids Pipeline [1]	**50.0 %**	**39**	39	**628**	705
HoustonLink Pipeline [1]	**50.0 %**	**1**	1	**13**	14
Port Neches Link Pipeline	**74.9 %**	**9**	10	**91**	94
		49	50	**732**	813

1. Classified as a VIE. Refer to *Note 25, Variable Interest Entities* for additional information.

The Spinoff triggered certain option rights for South Bow's partners to purchase the Company's ownership interest in the equity investments.

On April 10, 2024, the option rights for Port Neches Link LLC and HoustonLink Pipeline were triggered. These option rights were not exercised.

On October 1, 2024, the option rights for the Grand Rapids Pipeline were triggered and the evaluation process is expected to be completed in 2025, which may or may not be exercised by the Company’s respective partner, as applicable. If exercised, the Company does not expect an impairment on the disposal of this asset.

Distributions and Contributions

Distributions and contributions received from operating activities of equity investments for the year ended December 31, 2024 were $ 70 million and $2 million, respectively (2023 – $71 million and nil, respectively).

Summarized Financial Information of Equity Investments

U.S.$ millions	Year Ended December 31, 2024	2023
Income		
Revenues	**175**	169
Operating and other expenses	**(85)**	(79)
Net income	**97**	94
Net income attributable to the Company	**49**	50

U.S.$ millions	As at December 31, 2024	2023
Balance Sheet		
Current assets	**167**	187
Non-current assets	**1,134**	1,259
Current liabilities	**(20)**	(21)
Non-current liabilities	**(1)**	(1)

At December 31, 2024, the cumulative carrying value of the Company's equity investments was $ 62 million (2023 – $70 million) higher than the cumulative underlying equity in the net assets, primarily due to interest capitalized during construction.

12. Other Long-term Assets

U.S.$ millions	As at December 31, 2024	2023
Restricted investments [1]	**80**	79
Keystone XL long-term recoveries	**19**	26
Keystone environmental provision recovery (Note 14)	**31**	25
Recoverable Keystone expenses [2]	**22**	7
Employee post-retirement benefits (Note 21)	**10**	—
Other	**15**	34
	177	171

1. Represents the amounts collected in tolls from customers and included in the LMCI restricted investments to fund future abandonment of the Company's CER-regulated pipeline facilities. Funds are held in trust with a corresponding liability in other long-term liabilities. Refer to *Note 22, Risk Management and Financial Instruments* for additional information.
2. Portion of Keystone Pipeline System expenses incurred that are recoverable through variable tolls beyond one year. Amounts collected within the next year are recorded in accounts receivable.

13. Accounts Payable and Other

U.S.$ millions	As at December 31, 2024	2023
Trade payables	**1,098**	1,229
Fair value of derivative contracts (Note 22)	**219**	552
CER variable toll disputes [1] (Note 4)	**98**	—
Keystone XL contractual recoveries [2] (Note 4)	**48**	—
MP-14 estimated costs (Note 24)	**30**	—
Keystone XL termination provision	**17**	34
Contract liabilities (Note 6)	**15**	17
Keystone environmental provision (Note 14)	**4**	93
Income tax payable	**—**	22
Due to Former Parent	**—**	104
Other	**15**	24
	1,544	2,075

1. Relates to variable toll disputes filed with the CER, whereby the CER has implemented interim tolls on the Keystone Pipeline pending resolution of the disputes. These disputes are subject to the terms of indemnity agreements with South Bow's Former Parent and are recorded as a gross asset, with this offsetting payable to its Former Parent.
2. Represents the payable to the Company's Former Parent under the indemnity agreements in relation to Keystone contractual recoveries recorded in current assets.

14. Keystone Environmental Provision

In December 2022, the MP-14 incident occurred on the Keystone Pipeline, releasing 12,937 barrels of crude oil into Washington County, Kansas. The Company had originally accrued a life-to-date environmental liability of $600 million, before expected insurance recoveries and not including potential fines and penalties. At the end of 2024, the cost estimate for the incident was adjusted down by $18 million based on a review of costs and commitments forecasted.

The amounts paid for the environmental remediation liability were $ 68 million in 2024 (2023 – $ 500 million). The remaining balance reflected in accounts payable and other and other long-term liabilities on the Company's consolidated balance sheets was $4 million and $ 10 million, respectively, at December 31, 2024 (December 31, 2023 – $93 million and $ 7 million, respectively).

The expected recovery of the remaining estimated environmental remediation costs recorded in environmental provision recovery was $ 31 million at December 31, 2024 (December 31, 2023 – $166 million). During the year, $ 89 million was received (2023 – $ 434 million) from the insurance policies of its Former Parent related to the costs for environmental remediation.

15. Other Long-term Liabilities

U.S.$ millions	As at December 31, 2024	2023
CER pipeline abandonment trust [1]	**79**	78
Operating lease liabilities (Note 10)	**22**	6
Long-term contract liabilities (Note 6)	**19**	17
Keystone environmental provision (Note 14)	**10**	7
Employee post-retirement benefits (Note 21)	**7**	—
Other	**3**	2
	140	110

1. Represents the amounts collected from customers related to LMCI restricted investments to fund future abandonment of the Company's CER-regulated pipeline facilities.

16. Income Taxes

Geographic Components of Income before Income Taxes

U.S.$ millions	Year Ended December 31, 2024	2023
Canada	**83**	100
U.S.	**335**	462
Income before income taxes	**418**	562

Provision for Income Taxes

U.S.$ millions	Year Ended December 31, 2024	2023
Current		
Canada	**11**	15
U.S.	**32**	38
	43	53
Deferred		
Canada	**15**	8
U.S.	**44**	59
	59	67
Income tax expense	**102**	120

Reconciliation of Income Tax Expense

U.S.$ millions	Year Ended December 31, 2024	2023
Income before income taxes	**418**	562
Federal and provincial statutory tax rate	**23 %**	23 %
Expected income tax expense (recovery)	**96**	129
Foreign tax rate differential	**1**	(8)
Other	**5**	(1)
Income tax expense	**102**	120

Deferred Income Tax Assets and Liabilities

U.S.$ millions	As at December 31, 2024	2023
Deferred income tax assets		
Tax loss and credit carryforward	**42**	30
Disallowed interest carryforward	**60**	8
Foreign currency translation - net investment hedge	**9**	—
Other	**27**	8
	138	46
Less: valuation allowance	**40**	30
	98	16
Deferred income tax liabilities		
Difference in accounting and tax bases of plant, property and equipment	**1,107**	966
Equity investments	**75**	78
Other	**2**	6
	1,184	1,050
Net Deferred income tax liabilities	**1,086**	1,034

The above deferred tax amounts have been classified on the consolidated balance sheets as follows:

U.S.$ millions	As at December 31, 2024	2023
Deferred income tax assets		
Deferred income tax assets	**16**	6
Deferred income tax liabilities		
Deferred income tax liabilities	**1,102**	1,040
Net deferred income tax liabilities	**1,086**	1,034

The Company has Kansas state tax credits of $39 million (2023 – $39 million) that expire in 2025. The deferred tax asset attributable to the Kansas state tax credits, net of federal impact, is $30 million (2023 – $30 million). An income tax valuation allowance of $ 30 million in 2024 (2023 - $30 million), was recorded against the Kansas state tax credits as the Company concluded that it is more likely than not that the Kansas state tax benefit will not be realized in the future.

At each reporting date, the Company considers new evidence, both positive and negative, that could affect its view of the future realization of deferred tax assets. The increase in valuation allowance is primarily a result of the foreign exchange movement resulting in unrecognized capital losses. At December 31, 2024, the Company has recognized the benefit of non-capital loss carryforwards of $46 million (2023 – nil) for federal and provincial purposes in Canada, which expire in 2044. At December 31, 2024, the Company has recognized the benefit of disallowed Canadian and U.S. interest expense of $271 million (2023 - $35 million) which may be carried forward indefinitely.

Income Tax Payments

Income tax payments of $49 million, net of refunds, were made in 2024 (2023 – $ 34 million).

South Bow and its entities are subject to either Canadian federal and provincial income tax or U.S. federal, state, and local income tax. The Company has substantially concluded all Canadian federal and provincial income tax matters for the years through 2016. Substantially all material U.S. federal, state, and local income tax matters have been concluded for years through 2016. The Company does not anticipate material adjustments as a result of audit examinations by taxing authorities and other legislative amendments during the next 12 months that would have a material impact on its consolidated financial statements.

17. Share-based Compensation

Prior to the Spinoff, certain employees and executive officers of the Company participated in its Former Parent's equity incentive plan which included stock options, RSUs, and PSUs. On October 1, 2024, pursuant to the Spinoff, the Company established its own share-based compensation plans. Any outstanding share-based awards issued through the incentive plans of the Company's Former Parent were modified in connection with the Spinoff to maintain an equivalent value and contractual terms immediately before and after Spinoff. Pursuant to Spinoff, these awards were transferred to South Bow.

Share-based Awards

RSUs are awarded to certain employees and cliff vest three years from the grant date, unless otherwise specified. PSUs are awarded to Management and vest at the end of the three-year performance period and pay out based on performance against corporate targets set at the beginning of the period. DSUs are offered to Directors as a component of their compensation, are immediately vested, and pay out upon retirement from service on the Board of Directors (the "Board"). RSUs, PSUs, and DSUs accrue dividend-equivalent units based on record date, increasing awards outstanding over time.

The following table reconciles the Company's RSUs, PSUs, and DSUs as at December 31, 2024:

	RSUs	PSUs [1]	DSUs
Outstanding at December 31, 2023	—	—	—
Transferred from Former Parent [2]	883,707	611,146	—
Granted [3]	129,237	30,143	19,113
Exercised	(683)	—	—
Forfeited	(2,330)	—	—
Reinvested [4]	13,089	9,057	—
Outstanding at December 31, 2024	**1,023,020**	**650,346**	**19,113**

1. Does not include effect of any PSU multipliers.
2. Awards transferred to the Company pursuant to Spinoff.
3. RSUs were granted on November 22, 2024 and December 31, 2024. PSUs and DSUs were granted on December 30, 2024.
4. Certain awards earned additional units related to dividends declared by the Former Parent with a record date on September 30, 2024, prior to Spinoff.

Stock Options

Stock options were issued by the Company in exchange for stock options of its Former Parent held by certain South Bow employees. Stock options are classified as equity instruments and vest in thirds over a three-year period from the grant date and have a contractual life of seven years. Stock options may be exercised at a price determined at the time the option is awarded. Forfeiture of options results from the option holder's departure from the Company prior to vesting, or if options are not exercised by the end of their contractual term.

The following table summarizes the Company's stock options outstanding as at December 31, 2024:

	Stock Options (number)	Weighted Average Price (C$)	Weighted Average Remaining Contractual Life (years)
Outstanding at December 31, 2023	—	—	
Transferred from Former Parent [1]	1,251,950	28.93	
Exercised	(470,700)	27.82	
Outstanding at December 31, 2024	**781,250**	**29.60**	**4.1**
Exercisable stock options outstanding at December 31, 2024	**365,025**	**32.28**	**3.2**

1. Awards transferred to the Company pursuant to Spinoff. The Company issued these awards with similar valuation and contractual terms.

The Company has not issued any stock options subsequent to the Spinoff. The Company recorded $ 0.1 million of share-based compensation expense related to stock options for the year ended December 31, 2024 and at December 31, 2024, compensation costs related to non-vested stock options not yet recognized were $0.6 million.

18. Long-term Debt

Long-term Debt Issued

The Company completed its initial debt offering on August 28, 2024, comprised of U.S. and Canadian dollar-denominated senior unsecured notes (collectively, the "Senior Notes") and U.S. dollar-denominated junior subordinated notes ("Junior Notes"). Interest rates are fixed on these notes, and interest is paid semi-annually beginning in 2025.

The Senior Notes are unsecured and rank equal in right of payment with all existing and future senior indebtedness. The Senior Notes rank senior in right of payment to all future indebtedness that is expressly subordinated in right of payment to the notes (including the Junior Notes).

The following tables summarize the Senior Notes and Junior Notes outstanding as at December 31, 2024 and 2023:

U.S.$ millions, except where noted				As at December 31,
Debt Instrument	**Maturity**	**Amount**	**Rate**	**2024**
U.S. dollar-denominated debt				
Senior unsecured notes	September 2027	700	4.91 %	**700**
Senior unsecured notes	October 2029	1,000	5.03 %	**1,000**
Senior unsecured notes [1]	October 2034	1,250	5.58 %	**1,250**
Senior unsecured notes	October 2054	700	6.18 %	**700**
				3,650
Canadian dollar-denominated debt				
Senior unsecured notes	February 2030	C$450	4.32 %	**313**
Senior unsecured notes	February 2032	C$500	4.62 %	**347**
Senior unsecured notes	February 2035	C$500	4.93 %	**347**
				1,007
Less: unamortized debt issue costs and other				**(28)**
Total Senior Notes				**4,629**

1 Non-cash issuance.

U.S.$ millions, except where noted				As at December 31,
Debt Instrument	**Maturity**	**Amount**	**Rate**	**2024**
U.S. dollar-denominated debt				
Junior subordinated notes	March 2055	450	7.63 %	**450**
Junior subordinated notes	March 2055	650	7.50 %	**650**
				1,100
Less: unamortized debt issue costs and other				**(13)**
Total Junior Notes				**1,087**

Long-term Debt Repaid to Affiliates of Former Parent

At December 31, 2023, the Company held $ 5,967 million of U.S. and Canadian dollar-denominated long-term debt to affiliates of its Former Parent with a weighted average interest rate of 6.21 per cent. On August 28, 2024, concurrent with the issuance of the Company's Senior and Junior Notes, South Bow repaid a $1.25 billion term loan to an affiliate of its Former Parent by way of issuing the non-cash $ 1.25 billion senior unsecured notes due October 2034 and on October 1, 2024, the Company repaid the remaining outstanding long-term debt to affiliates of the Former Parent (2023 - repaid $971 million).

Interest Expense

	Year Ended December 31,	
U.S.$ millions	**2024**	2023
Interest on long-term debt to affiliates of Former Parent	**270**	211
Interest on Senior Notes [1]	**85**	—
Interest on Junior Notes [1]	**28**	—
Amortization and other financial charges [2]	**7**	9
Capitalized interest	**(2)**	—
	388	220

1. This is accrued interest. Interest on Senior and Junior Notes is paid semi-annually.
2. Includes amortization of debt issuance, premium, and discount costs associated with Senior and Junior Notes. Other financial charges include bank service charges and carrying charges.

Credit Facilities

During the third quarter of 2024, the Company entered into a four-year senior unsecured revolving credit facility for $ 1.4 billion (C$2.0 billion), maturing in 2028 (the "Facility"). At December 31, 2024, $1.4 billion (C$2.0 billion) was available and nil was drawn on the Facility. The Company additionally has three Canadian dollar-denominated bi-lateral credit facilities in place. At December 31, 2024, the total capacity was $104 million (C$150 million), with outstanding letters of credit of $ 16 million (C$21 million).

At December 31, 2023, the Company had a revolving credit facility agreement with an affiliate of its Former Parent with total capacity of $76 million (C$100 million), of which nil was drawn. The facility with the Former Parent was terminated upon Spinoff.

Interest Income and Other

	Year Ended December 31,	
U.S.$ millions	**2024**	2023
Interest Income	**41**	34
Penalty on early repayment of long-term debt to Former Parent	**(26)**	—
Foreign exchange loss	**(3)**	(2)
	12	32

Financial Covenants

South Bow is subject to certain financial covenants on its Facility as described in the following table. As at December 31, 2024, the Company was in compliance with covenants on its Facilities in all material respects.

Financial Covenant	Covenant [1]	As at December 31, 2024
Consolidated net debt-to-capitalization [2]	Not to exceed 65%	**53 %**
Interest coverage ratio [3]	Not less than 2.50:1:00	**4.46**

1. Covenant terms defined within respective debt agreements.
2. Per the covenant, consolidated net debt is consolidated total debt less unrestricted cash and cash equivalents of the restricted parties. Total debt is defined as consolidated indebtedness of the Company excluding letters of credit and junior debt securities.
3. Interest coverage ratio is consolidated EBITDA to consolidated interest expense, for the trailing four quarters. Consolidated EBITDA is consolidated net income plus interest expense, income taxes, depreciation and amortization, and other non-cash items. Consolidated interest expense includes all interest paid excluding interest related to junior subordinated notes and upfront fees associated with the credit facility.

19. Common Shares

The Company is authorized to issue an unlimited number of common shares and first and second preferred shares up to 20 per cent of the issued common shares outstanding.

U.S.$ millions, except where noted	Common Shares	Common Shares ($)
Balance at December 31, 2023	—	—
Issued on October 1, 2024	207,570,409	2,187
Issued on exercise of stock options	470,700	9
Balance at December 31, 2024	**208,041,109**	**2,196**

Prior to the Spinoff on October 1, 2024, the Company had nil common shares outstanding. The Former Parent's Net Investment represented the Company's accumulated net earnings from operations as well as the net effect of transactions between the Company and its Former Parent, including net capital distributions and contributions to the Company and cash generated from the Company's operations.

Upon Spinoff on October 1, 2024, the Company issued a total of 207,570,409 common shares by distributing 0.2 shares of South Bow for each share held by TC Energy's shareholders of record as of the record date of September 25, 2024. Refer to *Note 2, Basis of Presentation and Accounting Policies* for additional details.

Dividends Declared

The Company's dividend payable of $104 million (US$0.50 per share) was declared on November 7, 2024, and was paid on January 31, 2025, to shareholders of record at the close of business on December 31, 2024.

20. Net Income per Share

The following table summarizes the Company's net income per share for the years ended December 31, 2024 and 2023:

	Year Ended December 31,	
U.S.$ millions, except shares and per share amounts	**2024**	2023
Net income	**316**	442
Weighted average common shares outstanding (millions) - basic [1]	**207.6**	207.6
Basic net income per share	**1.52**	2.13
Dilutive impact of share-based awards (millions) [1, 2]	**0.6**	—
Weighted average common shares outstanding (millions) - diluted	**208.2**	207.6
Diluted net income per share	**1.52**	2.13

1. The common shares issued at Spinoff have been used for comparative periods as the Company had no common shares outstanding prior to Spinoff. For periods prior to Spinoff, it is assumed there were no dilutive equity instruments as there were no equity awards of South Bow outstanding prior to the Spinoff.
2. The dilutive impact considers the effect of the potential exercise of share-based awards and excludes any effect where the potential exercise would be anti-dilutive. At December 31, 2024, 0.2 million options were considered anti-dilutive.

21. Employee Post-retirement Benefits

Defined Benefit Pension

Effective October 1, 2024, in connection with the Spinoff, pension obligations and the related Plan assets for participants were transferred to U.S. and Canada pension plans established by the Company. As the Plan sponsor, effective October 1, 2024, South Bow's consolidated balance sheets reflects the net overfunded pension asset equal to an excess of the fair value of the Plan assets over the projected benefit obligation ("PBO").

Benefit Obligations, Plan Assets, and Funded Status

As of October 1, 2024, the Company assumed from the Former Parent the PBO and Plan assets for South Bow Plan participants in connection with the Spinoff. The plans were remeasured to determine the obligations and related Plan assets to be transferred to South Bow as of Spinoff date.

The remeasurement completed at Spinoff resulted in the recognition of pension obligations of $ 87 million, net of pension plan assets of $ 88 million. The Company recognized a $4 million loss ($3 million after-tax) in AOCI for actuarial losses and prior service costs that had accrued over the lives of the Plans prior to Spinoff, primarily based on South Bow's proportionate share of the total projected pension obligation from the Former Parent prior to Spinoff.

The Company uses a December 31 measurement date for its pension obligation and the related Plan assets. The actuarial gains experienced upon remeasurement as of December 31, 2024 were offset against AOCI and attributable to increases in the discount rates used to measure the benefit obligations net of actual investment performance that was less than expected.

The following table summarizes the changes in the benefit obligations and Plan assets for the year ended December 31, 2024 for the Company's Plans:

U.S.$ millions	Year Ended December 31, 2024
Change in benefit obligation	
Benefit obligation - beginning of year	**—**
Canadian benefit obligation transferred on October 1, 2024	**79**
U.S. benefit obligation transferred on October 1, 2024	**8**
Service cost	**2**
Interest cost	**1**
Actuarial loss	**(2)**
Foreign exchange rate changes	**5**
Benefit obligation - end of year	**93**
Change in plan assets	
Plan assets - beginning of year	**—**
Fair value of Canadian net plan assets as of October 1, 2024 pending transfer [1]	**79**
Fair value of U.S. net plan assets as of October 1, 2024	**9**
Actual return on plan assets	**3**
Employee contributions	**—**
Foreign exchange rate changes	**5**
Plan assets at fair value - end of year	**96**
Funded status - plan surplus	**3**

1. The plan assets remain in the Former Parent's pension trust and will be transferred in accordance with the Separation Agreement and EMA.

Components of Net Periodic Benefit Costs

South Bow reports the net periodic benefit costs for all Plans separately in the consolidated statements of income. The majority of the 2024 pension benefit cost for the Plan is calculated using an expected long-term rate of return on Plan assets of 6.60 per cent and a discount rate of 5.0 per cent.

The following table presents the components of the Company's net periodic benefit costs, prior to capitalization and co-owner allocations, for the year ended December 31, 2024:

U.S.$ millions	Year Ended December 31, 2024
Service cost	**2**
Interest cost	**1**
Expected return on plan assets	**(2)**
Net periodic benefit cost recognized	**1**

Components of Accumulated Other Comprehensive Income

South Bow recognizes the overfunded or underfunded status of the Plans as an asset or liability on the consolidated balance sheets, with offsetting entries to AOCI. An updated measurement was performed as of December 31, 2024, the impact of which was recognized in AOCI as an actuarial gain.

The following tables provide the pre-tax components of AOCI for the year ended December 31, 2024:

U.S.$ millions	**As at December 31, 2024**
Change in plan assets and benefit obligation recognized in AOCI:	
Opening AOCI	**—**
Separation-related adjustment	**3**
Net gain	**3**
Total recognized in AOCI at year-end	**6**

Average Remaining Service Period

For pension benefits, South Bow amortizes the unrecognized prior service costs (credits) and certain actuarial gains and losses reflected in AOCI, as applicable, based on participants' average remaining service periods. The resulting remaining service periods for pension was 12.53 years as of December 31, 2024.

Assumptions

The measurement of the Plan obligations and costs of providing benefits under the Company's Plans involves various factors, including the development of valuation assumptions and inputs and accounting policy elections. The measurement of benefit obligations and costs is impacted by several assumptions and inputs, as shown below, among other factors. When developing the required assumptions, South Bow considers historical information as well as future expectations. Assumptions used to determine year-end benefit obligations are the assumptions used to estimate the subsequent year's net periodic benefit costs.

Discount Rate

The discount rates are determined by developing a spot rate curve based on the yield to maturity of a universe of high-quality non-callable (or callable with make-whole provisions) bonds with similar maturities to the related pension obligation. The spot rates are used to discount the estimated future benefit distribution amounts under the pension plan. The discount rate is the single level rate that produces the same result as the spot rate curve. South Bow utilizes an analytical tool developed by its actuaries to determine the discount rates.

Expected Rate of Return

In determining the expected rate of return on assets, the Company considers historical economic indicators, including inflation and GDP growth, that impact asset returns, as well as expectations regarding future long-term capital market performance, weighted by target asset class allocations.

Mortality

The mortality assumption is composed of a base table that represents the current expectation of life expectancy of the population adjusted by an improvement scale that attempts to anticipate future improvements in life expectancy.

The following assumptions were used to determine the benefit obligations for the Plans for 2024:

	Canadian Plan 2024	U.S. Plan 2024
Assumptions for benefit obligations		
Discount rate	4.70 %	5.70 %
Expected rate of return	6.90 %	6.50 %
Rate of compensation increase	3.5% per year	4.5% for 2024 3% thereafter

Estimated Future Benefit Payments

Estimated future benefit payments to participants over the next 10 years for the Plans as of December 31, 2024 are as follows:

U.S.$ millions	
2025	3
2026	3
2027	3
2028	4
2029	8
2030 to 2034	25
Total estimated future benefits payments through 2034	**46**

Plan Assets

As earlier noted, the Plan assets remain in the Former Parent's pension trust and will be transferred in accordance with the Separation Agreement and EMA. Nonetheless, South Bow regularly evaluates its investment strategy to ensure that Plan assets will be sufficient to pay Plan benefits when due. Asset-liability matching studies are performed by a third-party consultant to set the asset mix by quantifying the risk-and-return characteristics of possible asset mix strategies. Investment and contribution policies are integrated within this study, and areas of focus include asset mix as well as interest rate sensitivity. The objective for the investment of the Plans funds is to generate sufficient returns at an appropriate level of risk.

The Company's Plan target asset allocations as of December 31, 2024 were as follows:

As at December 31, 2024	**Target Allocation**		**Percentage of Plan Assets** [1]	
	Canadian Plan	**U.S. Plan**	**Canadian Plan**	**U.S. Plan**
Equity securities	**70 %**	**50 %**	**55 %**	**50 %**
Fixed income securities	**30 %**	**50 %**	**24 %**	**50 %**
Cash investments [1]	**— %**	**— %**	**21 %**	**— %**
	100 %	**100 %**	**100 %**	**100 %**

1. Cash investments held within the Canadian plan represent funds received on December 31, 2024 which were subsequently invested. The allocation of assets does not include the pending asset transfer from Former Parent's pension trust.

The Company evaluated its Plans' asset portfolios for the existence of significant concentrations of credit risk as of December 31, 2024. Types of concentrations that were evaluated include, but were not limited to, investment concentrations in a single entity, type of industry, foreign country, and individual fund. As of December 31, 2024, the Plans held no credit risk concentrations exceeding 10 per cent of plan assets.

Fair Value Measurements

The following table presents Plan assets measured and recorded at fair value on the consolidated balance sheets on a recurring basis and their level within the fair value hierarchy as of December 31, 2024:

	Quoted Prices in Active Markets (Level I)	
	As at December 31,	
U.S.$ millions	**2024**	2023
Asset Category		
Equity securities	**4**	**—**
U.S. bonds	**4**	**—**
Fair value of plan assets	**8**	**—**

22. Risk Management and Financial Instruments

Risk Management Overview

The Company has exposure to various financial risks and has strategies, policies, and limits in place to manage the impact of these risks on its earnings and cash flows.

Risk management strategies, policies, and limits are designed to ensure the Company's risks and related exposures are in line with South Bow's business objectives and risk tolerance. The Company's risks are managed within limits that are established by the Board, implemented by senior Management and monitored by the risk management, internal audit, and business segment groups. South Bow's Audit Committee of the Board oversees how Management monitors compliance with risk management policies and procedures and oversees Management's review of the adequacy of the risk management framework.

Market Risk

The Company constructs and invests in crude oil pipeline systems, purchases and sells commodities, including amounts in foreign currencies, and invests in foreign operations. Certain of these activities expose the Company to market risk from changes in commodity prices, foreign exchange, and liquidity risk, which may impact the Company's earnings, cash flows, and the value of its financial assets and liabilities. The Company assesses contracts used to manage market risk to determine whether all, or a portion, meets the definition of a derivative.

Derivative contracts that the Company uses to assist in managing exposure to market risk may include the following:

- forwards and futures contracts – agreements to purchase or sell a specific financial instrument or liquids commodity at a specified price and date in the future; and
- options – agreements that convey the right, but not the obligation, of the purchaser to buy or sell a specific amount of a financial instrument or commodity at a fixed price, either at a fixed date or at any time within a specified period.

Commodity Price Risk

The Company's marketing business enters into pipeline and storage terminal capacity contracts as well as crude oil purchase and sale agreements, fixing a portion of the exposure on these contracts by entering into financial instruments to manage price fluctuations that arise from physical commodity transactions.

Sustained lower crude oil prices could lead to reduced investment in upstream development, expansion, and production, which could negatively impact opportunities for the Company to expand its asset base or re-contract with customers as contractual agreements expire.

Liquidity Risk

Liquidity risk is the risk that suitable sources of funding for the Company’s business activities may not be available. South Bow manages liquidity risk by maintaining bank credit facilities, continuously managing forecasted and actual cash flows, and monitoring the maturity profiles of financial assets and liabilities. The Company has access to a wide range of funding at competitive rates through capital markets and banks to meet the immediate and ongoing requirements of the business.

Foreign Exchange Risk

A small portion of the Company's entities generate all or most of their earnings in Canadian dollars and, since the Company reports its financial results in U.S. dollars, changes in the value of the Canadian dollar against the U.S. dollar can impact its net income. If the Company's Canadian dollar-denominated operations continue to grow, this exposure increases.

The Company is exposed to foreign exchange risk in its Canadian dollar functional currency entity which holds U.S dollar-denominated debt. This foreign exchange risk is offset by the designation of $1.1 billion of U.S. dollar-denominated Junior Notes as a net investment hedge in foreign operations at December 31, 2024 (2023 - nil). The net investment hedge is perfectly effective and foreign exchange gain or loss, as determined by the respective period end rate, is reported as cumulative translation adjustment within OCI. As at December 31, 2024, the fair value of the U.S. dollar-denominated Junior Notes designated as a net investment hedge was $1.1 billion and $67 million was recognized as cumulative translation adjustment in OCI for the year ended December 31, 2024.

Counterparty Credit Risk

South Bow's exposure to counterparty credit risk includes its cash and cash equivalents, accounts receivable, environmental provision, contractual recoveries and certain available-for-sale assets, and the fair value of derivative assets.

At times, the Company's counterparties may endure financial challenges resulting from commodity price and market volatility, economic instability, and political or regulatory changes. In addition to actively monitoring these situations, there are a number of factors that reduce the Company's counterparty credit risk exposure in the event of default, including:

- contractual rights and remedies together with the utilization of contractually-based financial assurances;
- the competitive position of the Company's assets and the demand for the Company's services; and
- potential recovery of unpaid amounts through bankruptcy and similar proceedings.

South Bow reviews financial assets carried at amortized cost for impairment using the lifetime expected loss of the financial asset at initial recognition and throughout the life of the financial asset. The Company uses historical credit loss and recovery data, adjusted for Management's judgment regarding current economic and credit conditions, along with reasonable and supportable forecasts to determine any impairment, which is recognized in plant operating costs and other in the consolidated statements of income.

The Company had no significant credit losses and no significant amounts impaired at December 31, 2024 and 2023 within normal trade accounts receivable. At December 31, 2024 and 2023, there were no significant credit risk concentrations.

The Company has $56 million in Keystone XL contractual recoveries from two counterparties and $114 million in Keystone contractual recoveries from certain customers related to variable toll disputes with the CER. These recoveries are part of the indemnity adjustments with the Company's Former Parent. Refer to *Note 4, Spinoff Transaction* for additional information related to indemnification.

The Company has significant credit and performance exposure to financial institutions that hold cash. The Company’s portfolio of financial sector exposure consists primarily of highly-rated investment-grade, systemically important financial institutions.

Non-derivative Financial Instruments

Fair Value of Non-derivative Financial Instruments

Available-for-sale assets are recorded at fair value, which is calculated using quoted market prices where available. Certain non-derivative financial instruments included in cash and cash equivalents, accounts receivable, environmental provision recovery, contractual recoveries, other current assets, other long-term assets, accounts payable and other, and other long-term liabilities have carrying amounts that approximate their fair value due to the nature of the item or the short time to maturity. Each of these instruments are classified in Level II of the fair value hierarchy.

Credit risk has been taken into consideration when calculating the fair value of non-derivative financial instruments.

Balance Sheet Presentation of Non-derivative Financial Instruments

The following table details the fair value of non-derivative financial instruments, excluding those where carrying amounts approximate fair value, and would be classified in Level II of the fair value hierarchy:

As at December 31,	**2024**		2023	
U.S.$ millions	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Long-term debt due to affiliates	**—**	**—**	(5,967)	(6,163)
Senior long-term debt due to third party	**(4,629)**	**(4,598)**	—	—
Junior long-term debt due to third party	**(1,087)**	**(1,135)**	—	—

Available-for-sale Assets Summary

The following tables summarizes additional information about the Company's LMCI restricted investments that were classified as available-for-sale assets:

U.S.$ millions	**As at December 31, 2024**	2023
Fair value of fixed income securities [1, 2]		
Maturing within 1 year	**—**	1
Maturing within 1-5 years	**—**	—
Maturing within 5-10 years	**—**	—
Maturing after 10 years	**80**	78
	80	79

1. Available-for-sale assets are recorded at fair value and included in other long-term assets on the Company's consolidated balance sheets.
2. Classified in Level II of the fair value hierarchy.

U.S.$ millions	**Year Ended December 31, 2024**	2023
Net unrealized (losses) gains [1]	**(1)**	8
Net realized losses [1, 2]	**(2)**	(5)

1. Unrealized and realized gains (losses) arising from changes in the fair value of LMCI restricted investments impact the subsequent amounts to be collected through tolls to cover future pipeline abandonment costs. As a result, the Company records these gains and losses within other long-term assets and liabilities.
2. Realized losses on the sale of LMCI restricted investments are determined using the average cost basis.

Derivative Instruments

Fair Value of Derivative Instruments

The fair value of commodity derivatives has been calculated using quoted market prices where available. In the absence of quoted market prices, third-party broker quotes or other valuation techniques have been used. Credit risk has been taken into consideration when calculating the fair value of derivative instruments. Unrealized gains and losses on derivative instruments are not necessarily representative of the amounts that will be realized on settlement.

Even though the derivatives are considered to be effective economic hedges, they do not meet the specific criteria for hedge accounting treatment or are not designated as a hedge and are accounted for at fair value with changes in fair value recorded in net income in the period of change. This may expose the Company to increased variability in reported earnings because the fair value of the derivative instruments can fluctuate significantly from period to period.

Balance Sheet Presentation of Derivative Instruments

The balance sheet classification of the fair value of held-for-trading, commodity derivative instruments was as follows:

	As at December 31,	
U.S.$ millions	**2024**	2023
Other current assets (Note 7)	**188**	527
Total derivative assets	**188**	527
Accounts payable and other (Note 13)	**(219)**	(552)
Total derivative liabilities	**(219)**	(552)
Total derivatives [1, 2]	**(31)**	(25)

1. Fair value equals carrying value.
2. Includes purchases and sales of crude oil.

The majority of derivative instruments held-for-trading have been entered into for risk management purposes and all are subject to South Bow's risk management strategies, policies, and limits. These include derivatives that have not been designated as hedges or do not qualify for hedge accounting treatment but have been entered into as economic hedges to manage the Company's exposures to market risk.

Notional and Maturity Summary

The maturity and notional amount or quantity outstanding related to the Company's liquids commodity derivative instruments was as follows:

	As at December 31,	
	2024	2023
Net purchases volumes (millions of barrels)	**(14)**	(7)
Maturity dates (year)	**2025**	2024

Unrealized and Realized Gains (Losses) on Commodity Derivative Instruments

	Year Ended December 31,	
U.S.$ millions	**2024**	2023
Derivative instruments held-for-trading [1]		
Unrealized losses	**(6)**	(26)
Realized gains	**459**	458
Gains on derivatives	**453**	432

1. Realized and unrealized gains (losses) on derivative instruments held-for-trading used to purchase and sell crude oil are included on a net basis in revenues on the consolidated statements of income.

Offsetting of Derivative Instruments

South Bow enters into commodity derivative contracts with the right to offset in the normal course of business as well as in the event of default. The Company has no master netting agreements; however, similar contracts are entered into containing rights to offset.

The Company has elected to present the fair value of derivative instruments with the right to offset on a gross basis on the consolidated balance sheets.

The following tables show the impact on the presentation of the fair value of derivative instrument assets and liabilities had the Company elected to present these contracts on a net basis:

As at December 31, 2024 *U.S.$ millions*	**Gross Derivative Instruments**	**Amounts Available for Offset** [1]	**Net Amounts**
Derivative instrument assets	188	(187)	**1**
Derivative instrument liabilities	(219)	187	**(32)**

1. Amounts available for offset do not include cash collateral pledged or received.

As at December 31, 2023 *U.S.$ millions*	**Gross Derivative Instruments**	**Amounts Available for Offset** [1]	**Net Amounts**
Derivative instrument assets	527	(516)	**11**
Derivative instrument liabilities	(552)	516	**(36)**

1. Amounts available for offset do not include cash collateral pledged or received.

With respect to the derivative instruments presented above, the Company provided cash collateral of $ 66 million and letters of credit of $ 16 million at December 31, 2024 (2023 – $70 million and nil, respectively) to its counterparties. At December 31, 2024, the Company held no cash collateral and $70 million in letters of credit (2023 – nil and $3 million, respectively) from counterparties on asset exposures.

Credit Risk-related Contingent Features of Derivative Instruments

Derivative contracts entered into to manage market risk often contain financial assurance provisions that allow parties to the contracts to manage credit risk. These provisions may require collateral to be provided if a credit risk-related contingent event occurs, such as a downgrade in South Bow's credit rating to non-investment grade. The Company may also need to provide collateral if the fair value of its derivative financial instruments exceeds pre-defined exposure limits. The Company has provided collateral for the derivative instruments with credit risk-related contingent features, recorded within other current assets on the consolidated balance sheets. At December 31, 2024 and 2023, there were no other derivative instruments that had credit risk-related features for which collateral was not provided.

Fair Value Hierarchy

The Company's financial assets and liabilities recorded at fair value have been categorized into three categories based on a fair value hierarchy.

Levels	**How Fair Value Has Been Determined**
Level I	Quoted prices in active markets for identical assets and liabilities that the Company has the ability to access at the measurement date. An active market is a market in which frequency and volume of transactions provides pricing information on an ongoing basis.
Level II	This category includes commodity derivatives where fair value is determined using the market approach. Inputs include yield curves and broker quotes from external data service providers.
Level III	This category includes long-dated transactions in certain markets where liquidity is low and the Company uses the most observable inputs available or alternatively long-term broker quotes or negotiated commodity prices that have been contracted for under similar terms in determining an appropriate estimate of these transactions. There is uncertainty caused by using unobservable market data which may not accurately reflect possible future changes in fair value.

The fair value of the Company's derivative assets and liabilities measured on a recurring basis, including both current and non-current portions, were categorized as follows:

U.S.$ millions	Quoted Prices in Active Markets (Level I)	Significant Other Observable Inputs (Level II) [1]	Significant Unobservable Inputs (Level III) [1]	Total
Derivative instrument assets	**184**	**4**	**—**	**188**
Derivative instrument liabilities	**(203)**	**(16)**	**—**	**(219)**
As at December 31, 2024	**(19)**	**(12)**	**—**	**(31)**
Derivative instrument assets	506	21	—	527
Derivative instrument liabilities	(527)	(25)	—	(552)
As at December 31, 2023	(21)	(4)	—	(25)

1. There were no transfers from Level II to Level III for the years ended December 31, 2024 and 2023.

23. Changes in Operating Working Capital

	Year Ended December 31,	
U.S.$ millions	**2024**	2023
Decrease (increase) in accounts receivable	**101**	(251)
(Increase) decrease in inventories	**(50)**	63
(Increase) decrease in other current assets	**(32)**	274
Decrease in accounts payable and other	**(81)**	(120)
Decrease in operating working capital	**(62)**	(34)

24. Commitments, Contingencies, and Guarantees

Commitments

The Company's commitments as at December 31, 2024 are below:

U.S.$ millions	Total	2025	2026	2027	2028	2029	Thereafter
Long-term debt principal repayments	**5,756**	—	—	700	—	1,000	4,056
Interest payments	**5,165**	327	330	316	294	280	3,618
Transportation by other parties [1]	**13**	10	3	—	—	—	—
Capital expenditures [2]	**125**	120	5	—	—	—	—
Other	**3**	1	1	1	—	—	—
	11,062	458	339	1,017	294	1,280	7,674

1. Contractual obligations are based on demand volumes and exclude any variable charges incurred when volumes flow.
2. Capital expenditures primarily relate to expenditures for the Blackrod Connection Project. Amounts are estimates and subject to variability based on timing of construction and project requirements. Expenditures include obligations for growth projects and are presented based on projects proceeding as currently planned. Any changes to projects including timing or possible cancellation could change these estimates.

The Company has long-term crude oil transportation agreements as well as other purchase obligations, all of which are transacted at market prices and in the normal course of business. Purchases under these contracts in 2024 were $49 million (2023 – $47 million).

At December 31, 2024, the Company had capital expenditure commitments totaling approximately $ 125 million (2023 – $5 million).

Contingencies

Variable Toll Disputes

In 2019 and 2020, certain Keystone customers initiated complaints before FERC and the CER regarding certain costs within the variable toll calculation. In February 2023, FERC released its initial decision in respect of the complaint, which addressed previously charged tolls recognized in prior periods. As a result of this decision, the Company recorded an adjustment of $42 million related to tolls previously charged between 2018 and 2022, which was accrued by the Company in 2023.

On July 25, 2024, FERC released its Order on Initial Decision ("Order") in respect of the complaint and as a result, South Bow recognized an additional estimated liability of $19 million during the three months ended June 30, 2024. At December 31, 2024, the Company reduced the estimated liability by $11 million and recognized a $8 million pre-tax charge for the year ended December 31, 2024 with respect to the decision. Subsequent rulings, if any, will be subject to the indemnity provisions as outlined in the Separation Agreement. On October 8, 2024, South Bow submitted a compliance filing, which is subject to final FERC approval. On January 7, 2025 deadlines in relation to the FERC Order process were extended with a final ruling expected in 2025.

The Company has recorded receivables related to its dispute with shippers for amounts expected to be collected in the future for variable tolls.

While the Company believes it has strong arguments that the variable tolls in dispute were properly calculated and applied, any amounts above the current accrued amounts that may ultimately be payable or receivable in respect of these disputes are indeterminable at this time; however, such amounts may be material. These disputes are subject to the indemnification with the Company's Former Parent. Refer to *Note 4, Spinoff Transaction.*

Milepost 14 Incident

In December 2022, the Milepost 14 incident occurred on the Keystone Pipeline, releasing 12,937 barrels of crude oil in Washington County, Kansas. As a result of the incident, the Company was subject to an Amended Corrective Action Order ("ACAO") issued by the PHMSA. By June 2023, the recovery of all released volumes was completed, and by October 2023, creek restoration was finished, restoring natural flows to Mill Creek. Refer to *Note 14, Keystone Environmental Provision* of the accompanying financial statements for additional information. In January 2025, the Company received PHMSA approval of the remedial work plan. This approval culminates the completion of 2,145 miles of inline inspections across the Keystone system and 68 investigative excavations over the past two years. In March, 2025, South Bow received approval from PHMSA to lift the pressure restriction on the affected segment to 72% of the specified minimum yield strength of the pipeline. The affected segment includes the section of the pipeline where the MP-14 incident occurred.

In the fourth quarter of 2024, South Bow recognized an additional provision for $ 30 million for its best estimate of incremental costs in relation to the Milepost 14 incident. South Bow also recognized a receivable for 86 per cent ($26 million) representing its Former Parent share of this anticipated incremental cost pursuant to the indemnity clauses in the Separation Agreements.

Other Proceedings

In addition to the proceedings above, the Company is subject to various legal proceedings, arbitration, and actions arising in the normal course of business. The amounts involved in such proceedings are not reasonably estimable as the final outcome of such legal proceedings cannot be predicted with certainty. It is the opinion of Management that the ultimate resolution of such proceedings and actions will not have a material impact on the Company's financial position or results of operations.

Guarantees

The Company and its partners in the Grand Rapids Partnership have guaranteed the financial performance of these entities either jointly and severally, jointly, or severally. These guarantees primarily cover construction services and liabilities. Payments made by the Company under these guarantees exceeding its ownership interest are reimbursed by its partners. The maximum term of the C$56 million guarantees is to 2043 and at December 31, 2024, the Company's share of the maximum potential exposure was $39 million (2023 - $42 million) and carrying value is nil (2023 - $1 million).

25. Variable Interest Entities

Consolidated VIEs

Certain of the Company’s assets and liabilities are held through VIEs in which the Company holds a 100 per cent voting interest, the VIE meets the definition of a business, and the VIE’s assets can be used for general corporate purposes. The consolidated VIEs whose assets cannot be used for purposes other than for the settlement of the VIE’s obligations, or are not considered a business, were as follows:

U.S.$ millions	**As at December 31, 2024**	2023
ASSETS		
Current assets		
Cash and cash equivalents	**—**	2
Accounts receivable	**3**	2
	3	4
Plant, property and equipment	**182**	130
	185	134
LIABILITIES		
Current liabilities		
Accounts payable and other	**41**	33
	41	33
Other long-term liabilities	**10**	8
	51	41

Non-consolidated VIEs

The carrying value of these VIEs and the maximum exposure to loss as a result of the Company's involvement with these VIEs were as follows:

U.S.$ millions	As at December 31, 2024	2023
Balance sheet		
Equity investments	**641**	719
Off-balance sheet		
Guarantees	**39**	42
Maximum exposure to loss	**680**	761

As at December 31, 2024, amount due from non-consolidated VIEs is $ 4 million (2023 - $6 million) included in accounts receivable in the consolidated balance sheets. As at December 31, 2024, amount due to non-consolidated VIEs is $4 million (2023 - $6 million) included in accounts payable in the consolidated balance sheets.

26. Related Party Transactions

Prior to the Spinoff, South Bow did not operate as a standalone business and its Former Parent was responsible for providing the Company's administrative and operating services (referred to as "corporate expenses") necessary to operate the business. These allocated corporate expenses are capitalized or expensed based on the nature of underlying expenditure. In addition, the Company also incurs operating costs provided by subsidiaries of its Former Parent that are not allocated but are direct costs. These direct costs are capitalized or expensed based on the nature of underlying expenditure. These transactions were considered related party transactions up to September 30, 2024, the day prior to Spinoff.

The allocated corporate expenses, direct operating costs, interest expense on long-term debt due to affiliates of South Bow's Former Parent, and interest income with affiliates of its Former Parent were as follows:

U.S.$ millions	Year Ended December 31, **2024**	2023
Allocated corporate expenses		
Plant operating costs and other	**89**	143
Plant, property and equipment	**3**	3
Equity investments [1]	**2**	13
	94	159
Direct operating costs		
Plant operating costs and other	**81**	123
Plant, property and equipment	**4**	4
Equity investments [2]	**1**	6
	86	133
Interest income with affiliates of Former Parent	**—**	22
Interest expense on long-term debt to affiliates of Former Parent	**270**	211
Return of capital payment [3]	**24**	—

1. For the year ended December 31, 2024, $2 million impacted income from equity investments (2023 - $11 million).
2. For the year ended December 31, 2024, $1 million impacted income from equity investments (2023 - $5 million).
3. On September 30, 2024, the Company declared a return of capital distribution and paid it on October 1, 2024.

U.S.$ millions	As at December 31, **2024**	2023	**Affected Line Item on the Consolidated Balance Sheets**
Due from affiliates of Former Parent	**—**	3	Accounts receivable
Due to affiliates of Former Parent	**—**	104	Accounts payable and other
Long-term debt to affiliates of Former Parent	**—**	5,967	Long-term debt

Exhibit 99.3

Management's Discussion and Analysis

Basis of Presentation

The following management's discussion and analysis ("MD&A") was prepared as of March 5, 2025 and is a review of the results of operations and the liquidity and capital resources of South Bow Corporation and its subsidiaries (collectively, "South Bow" or the "Company"). The MD&A should be read in conjunction with the accompanying annual audited consolidated financial statements and notes thereto ("accompanying financial statements") of South Bow as at and for the year ended December 31, 2024, as well as South Bow's annual information form for the year ended December 31, 2024 ("AIF"), each of which are available on South Bow's website at www.southbow.com, under South Bow's electronic profile on SEDAR+ at www.sedarplus.ca, and with the U.S. Securities and Exchange Commission ("SEC") at www.sec.gov.

Effective October 1, 2024, South Bow completed its spinoff (referred to as the "Spinoff") from TC Energy Corporation ("TC Energy" or "Former Parent") and began operating as an independent publicly traded entity. South Bow's common shares commenced regular-way trading on the Toronto Stock Exchange ("TSX") on October 2, 2024 and on the New York Stock Exchange ("NYSE") on October 8, 2024, in each case under the ticker symbol "SOBO". The Spinoff was executed under various agreements outlining the governance of the Company's relationship with the Former Parent during the transition period, including, but not limited to, the Separation Agreement, the Transition Services Agreement ("TSA"), the Tax Matters Agreement ("TMA"), and the Employee Matters Agreement. Refer to *Note 2, Basis of Presentation and Accounting Policies* of South Bow's accompanying financial statements for more information.

Prior to October 1, 2024, South Bow's financial statements were prepared using information derived from the consolidated financial statements and accounting records of TC Energy, including the historical cost basis of assets and liabilities comprising the Company, as well as the historical revenues, direct costs, and allocations of indirect costs attributable to the operations of the Company, using the historical accounting policies applied by TC Energy. The presentation of certain prior period comparatives have been updated for consistency with current year presentation.

South Bow has designated the United States dollar ("USD" or "U.S.$") as its reporting currency to reflect its primary earnings currency. Comparative figures from periods prior to completing the Spinoff were previously reported in Canadian dollars ("CAD" or "C$") under the Former Parent and have been retrospectively translated to USD using the applicable exchange rates at the respective dates. Refer to *Note 3, Accounting Policy Changes* of South Bow's accompanying financial statements for more information. Unless otherwise noted, all figures throughout this MD&A are in USD.

This MD&A contains non-GAAP financial measures and forward-looking statements. Readers are cautioned that the MD&A should be read in conjunction with South Bow's disclosure under *Non-GAAP Financial Measures* and *Forward-looking Information* included in this MD&A. Refer to *Glossary* in this MD&A for abbreviations commonly used.

Corporate Profile

South Bow Overview

South Bow is an energy infrastructure company that owns and operates critical liquids pipelines and facilities extending across Canada and the U.S., safely and reliably connecting robust crude oil supplies to key refining and demand markets in the U.S. Midwest and Gulf Coast. South Bow seeks to optimize its assets, and invest strategically to sustainably grow its cash flows, and pay a meaningful dividend, if, as and when declared by South Bow's board of directors (the "Board"). The majority of South Bow's revenues are generated through long-term committed transportation arrangements, whereby customers receive access to capacity in exchange for a committed monthly payment.

South Bow takes a disciplined approach to capital allocation to preserve optionality and maximize total shareholder returns over the long term. The Company's allocation priorities are built on a foundation of financial strength and are supported by South Bow's stable, predictable cash flows. South Bow's capital allocation priorities include: paying a sustainable base dividend; strengthening the Company's investment-grade financial position; and leveraging existing infrastructure within South Bow's strategic corridor to offer customers competitive delivery connections and enhanced optionality.

Segment Overview

South Bow has three reporting segments: Keystone Pipeline System, Marketing, and Intra-Alberta & Other.

Keystone Pipeline System

The Keystone Pipeline System segment consists of the Company's primary liquid pipeline system, which connects crude oil production in Hardisty, Alberta to key refining and demand markets in the U.S. Midwest and Gulf Coast. There are two main commercial entities that operate within the Keystone Pipeline System: Keystone Pipeline ("Keystone") and Marketlink.

Keystone provides crude oil transportation service from Hardisty, Alberta, to various delivery points in the U.S. Midwest and Gulf Coast. Keystone is supported by 585,000 barrels per day ("bbl/d") of committed contracts, and is required to make six per cent of capacity available for uncommitted volumes. Marketlink provides U.S. domestic crude oil transportation service from Cushing, Oklahoma to various delivery points in the U.S. Gulf Coast, through its lease of capacity on the U.S. Gulf Coast segment of the Keystone Pipeline System. Marketlink offers service to committed and uncommitted customers, and is required to make 10 per cent of capacity available to new shippers, as applicable.

Marketing

South Bow's Marketing business provides customers with a variety of crude oil marketing services, including transportation, storage, and logistics.

Intra-Alberta & Other

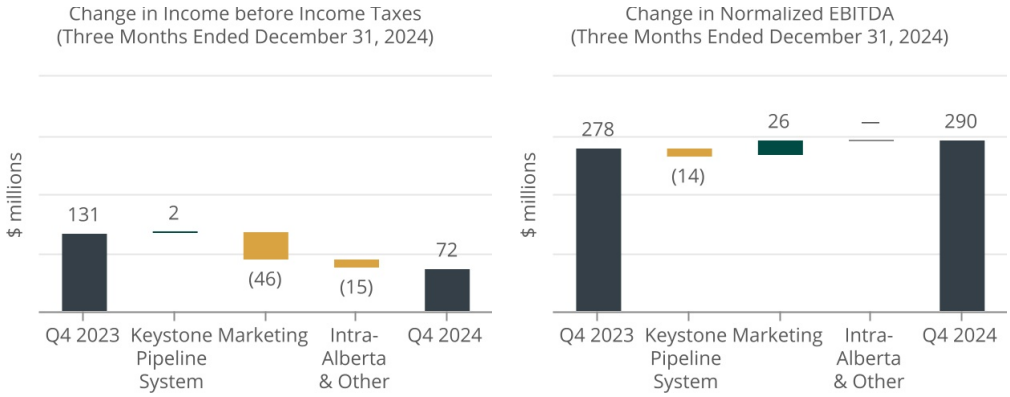
South Bow's Intra-Alberta pipelines are comprised of the Grand Rapids Pipeline ("Grand Rapids") and White Spruce Pipeline ("White Spruce"), which provide crude oil transportation from Alberta's oil sands region to terminals in the Edmonton and Heartland refining and market regions. This segment also includes South Bow's other corporate entities which support the business and engage in activities that support South Bow's operations and business development efforts including financing activities.

Financial Highlights

U.S.$ millions, except per share amounts, ratios, and where noted	Three Months Ended December 31, 2024	2023	Year Ended December 31, 2024	2023
Financial Results				
Revenue	**488**	540	**2,120**	2,005
Income from equity investments	**12**	13	**49**	50
Income before income taxes	**72**	131	**418**	562
Normalized EBITDA [1]	**290**	278	**1,091**	1,074
Distributable cash flow [1]	**183**	161	**608**	785
Capital expenditures [2]	**28**	11	**122**	37
Net income	**55**	103	**316**	442
Weighted average common shares outstanding - diluted (millions)	**208.4**	207.6	**208.2**	207.6
Net income per share - diluted [3]	**0.26**	0.50	**1.52**	2.13
Normalized net income [1]	**112**	94	**383**	504
Normalized net income per share - diluted [1, 3]	**0.54**	0.45	**1.84**	2.43
Dividends declared	**104**	—	**104**	—
Dividends per share	**0.50**	—	**0.50**	—
Total long-term debt	**5,716**	5,967	**5,716**	5,967
Net debt [1]	**4,901**	5,715	**4,901**	5,715
Net debt-to-normalized EBITDA (ratio) [1]	**4.5**	5.3	**4.5**	5.3
Operational Results				
Keystone System Operating Factor ("SOF")	**96%**	92%	**95%**	93%
Keystone Pipeline throughput (Mbbl/d)	**621**	612	**626**	595
U.S. Gulf Coast segment of Keystone Pipeline System throughput (Mbbl/d) [4]	**784**	783	**795**	694
Marketlink throughput (Mbbl/d)	**615**	610	**614**	537

1. Non-GAAP financial measure or ratio, which do not have standard meanings under generally accepted accounting principles ("GAAP"). Refer to *Non-GAAP Financial Measures* section within this MD&A for more information.
2. Capital expenditures per the investing activities of the consolidated cash flow statements in the accompanying financial statements.
3. Effective October 1, 2024, South Bow completed the Spinoff from its Former Parent and began operating as an independent publicly-traded company. Per share figures for comparative periods have been calculated using the 207.6 million outstanding shares at October 1, 2024 immediately following the Spinoff.
4. Comprises throughput originating in Hardisty, Alberta transported on the Keystone Pipeline, and throughput originating in Cushing, Oklahoma transported on Marketlink for destination in the U.S. Gulf Coast.

Change in Income before Income Taxes and Normalized EBITDA (Three Months Ended December 31, 2024)



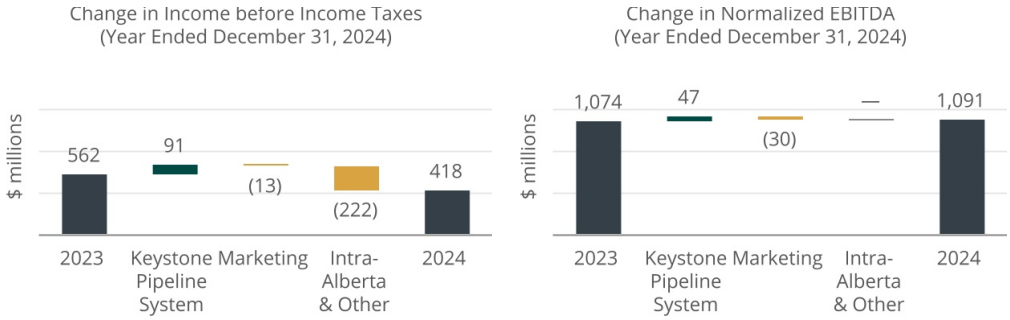
Income before income taxes for the three months ended December 31, 2024 decreased to $72 million from $131 million in the same period of 2023. The decrease in income before income taxes of the Marketing segment was primarily attributable to a larger unrealized loss position on the Company's risk management activities in the fourth quarter of 2024 compared to 2023. The decrease in income before income taxes of Intra-Alberta & Other was attributable to lower interest income partially offset by lower interest expense in the 2024 period compared to 2023.

Normalized EBITDA for the three months ended December 31, 2024 increased to $290 million from $278 million in the same period of 2023. The increase in normalized EBITDA was primarily attributable to higher margins on the Marketing segment's purchase and sale contracts, partially offset by lower demand for uncommitted capacity on the Keystone Pipeline.

Normalized EBITDA for the Company's Intra-Alberta & Other segment remained consistent during the three months ended December 31, 2024 compared to the same period in 2023 due to the long-term committed contracts attributable to the Grand Rapids and White Spruce pipelines.

Refer to *Non-GAAP Measures* section of the MD&A for additional details.

Change in Income before Income Taxes and Normalized EBITDA (Year Ended December 31, 2024)



Income before income taxes decreased in 2024 compared to 2023 as a result of lower contributions from the Company's Marketing and Intra-Alberta & Other segments, which were partially offset by higher contributions from the Keystone Pipeline System as a result of increased revenues from increased uncommitted volumes shipped during 2024 compared to 2023 primarily attributable to increased uncommitted revenues generated by Keystone and increased committed revenues generated by Marketlink.

The decrease in the Marketing segment's income before income taxes was primarily attributable to lower margins driven by higher commodity purchases and transportation costs incurred partially offset by lower unrealized losses on risk management contracts compared to the 2023 period.

The decrease in Intra-Alberta & Other was primarily attributable to increased interest expense associated with long-term debt obligations and Spinoff-related costs incurred during the year ended December 31, 2024 compared to 2023.

Normalized EBITDA increased from $1,074 million for the year ended December 31, 2023 to $1,091 million for the year ended December 31, 2024, primarily attributable to higher contributions from the Keystone Pipeline System, partially offset by lower contributions from the Marketing segment.

Higher contributions from the Keystone Pipeline System were attributable to higher uncommitted volumes during the first quarter of 2024 and higher rates on Keystone, in addition to higher contracted volumes shipped on Marketlink in 2024 compared to 2023.

Lower contributions from the Marketing segment were attributable to lower margins associated with narrowed pricing differentials for heavy crude oil between Hardisty, Alberta and the U.S. Gulf Coast, driven by WCSB crude oil pipeline capacity exceeding supply, and lower volumes transported by the Marketing business offset by the higher volumes shipped on Marketlink.

The Company's Intra-Alberta & Other segment remained consistent during the year ended December 31, 2024 compared to the same period in 2023 due to the long-term committed contracts attributable to the Grand Rapids and White Spruce pipelines.

Refer to *Non-GAAP Financial Measures* section of the MD&A for additional details.

Revenue and Income from Equity Investments

	Three Months Ended December 31,			Year Ended December 31,		
$ millions, except where noted	**2024**	2023	Change	**2024**	2023	Change
Total revenues	**488**	540	(10) %	**2,120**	2,005	6 %
Income from equity investments	**12**	13	(8) %	**49**	50	(2) %

South Bow generated revenue of $488 million during the three months ended December 31, 2024 compared to $540 million in the same period of 2023. The decrease in the fourth quarter of 2024 was primarily attributable to the Keystone variable toll true-up recognized in 2024 and unrealized losses on risk management activities at December 31, 2024 compared to unrealized gains in the same period of 2023.

Revenue for the year ended December 31, 2024 was $2,120 million compared to $2,005 million in 2023, primarily attributable to increased uncommitted revenues generated by Keystone driven by higher uncommitted volumes and rates in addition to increased committed revenues generated by Marketlink.

Income from equity investments remained consistent during the three months and year ended December 31, 2024 compared to the same comparative periods in 2023, respectively.

Operating and Other Expenses

$ millions, except where noted	Three Months Ended December 31, 2024	2023	Change	Year Ended December 31, 2024	2023	Change
Plant operating costs and other	**161**	185	(13) %	**738**	710	4 %
Commodity purchases resold	**93**	78	19 %	**376**	351	7 %
Depreciation and amortization	**62**	61	2 %	**246**	244	1 %
Other	**—**	—	— %	**15**	—	100 %
Total	**316**	324	(2) %	**1,375**	1,305	5 %

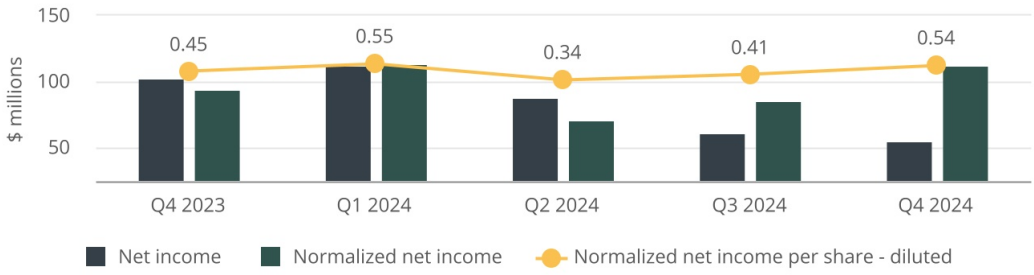
The decrease in plant operating costs and other during the three months ended December 31, 2024 was primarily attributable to costs incurred during the fourth quarter of 2023 relating to the remedial work completed in accordance with the Amended Corrective Action Order ("ACAO") for the Milepost 14 incident. The increase in plant operating costs and other in the year ended December 31, 2024 was primarily related to costs incurred in 2024 relating to the Spinoff, including information systems costs.

Commodity purchases resold increased during the three months and year ended December 31, 2024 primarily as a result of higher commodity purchases and transportation costs incurred in the 2024 period compared to comparative periods in 2023, respectively.

Depreciation and amortization was relatively unchanged during the three months and year ended December 31, 2024 compared to the same periods in 2023. The Company did not place in-service or retire any major assets in 2024 or 2023, beyond maintenance capital additions, which were consistent year-over-year.

For the year ended December 31, 2024, South Bow recognized other expenses related to Keystone XL asset disposition and termination activities.

Net Income and Normalized Net Income



South Bow recognized net income and normalized net income of $55 million and $112 million, respectively, during the fourth quarter of 2024 compared to net income and normalized net income of $103 million and $94 million, respectively, during the fourth quarter of 2023.

The decrease in net income was primarily attributable to lower revenues from the Keystone variable toll true-up recognized in 2024 and unrealized losses on risk management activities at December 31, 2024 compared to unrealized gains in the same period of 2023.

The increase in normalized net income in the fourth-quarter 2024 compared to the same period in 2023 was primarily attributable to higher margins from the Marketing segment's purchase and sale contracts.

Normalized net income per share (diluted) was $0.54 in the fourth quarter of 2024 compared to $0.45 in the fourth quarter of 2023 attributable to the higher normalized net income in the fourth-quarter of 2024.

Net income for the year ended December 31, 2024 was $316 million compared to $442 million in 2023. The decrease in the 2024 period was primarily attributable to higher interest expense incurred during 2024 on the Company's long-term debt to affiliates of its Former Parent during 2024 and interest on its senior unsecured notes ("Senior Notes") and junior subordinated notes ("Junior Notes"). In preparation for the Spinoff, the Company's Former Parent completed an internal restructuring in the third quarter of 2023, which included the issuance by the Company of long-term debt to affiliates of its Former Parent. Pursuant to the Company's initial debt offerings on August 28, 2024, the Company repaid a $1.25 billion loan to its Former Parent and repaid the remaining long-term debt to affiliates of the Former Parent on October 1, 2024. The Company incurred interest expense of $270 million on its long-term debt to affiliates and $113 million on its Senior Notes and Junior Notes compared to $211 million and nil in 2023, respectively. Refer to *Liquidity* section in this MD&A for additional details on the Company's Senior Notes and Junior Notes issued.

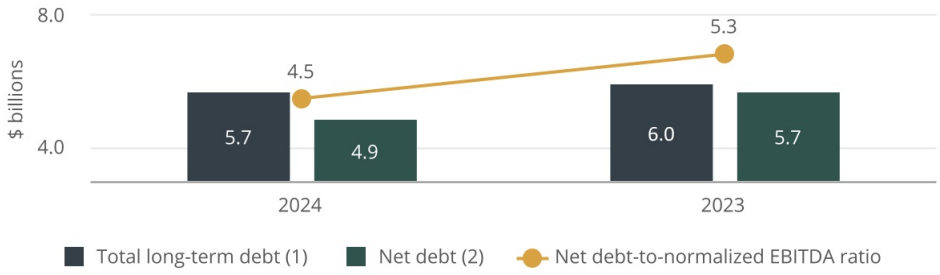
Normalized net income for the year ended December 31, 2024 was $383 million compared to $504 million in 2023. The decrease in 2024 was primarily attributable to the higher interest expense on long-term debt in the 2024 period compared to 2023.

Distributable Cash Flow

Distributable cash flow was $183 million for the three months ended December 31, 2024 compared to $161 million in the comparable period for 2023, primarily due to lower interest expense resulting from lower interest rates on the Company's Senior Notes and Junior Notes compared to higher interest rates on its long-term debt to affiliates of Former Parent in 2023.

Distributable cash flow was $608 million for the year ended December 31, 2024 compared to $785 million in 2023. The year-over-year decrease was primarily attributable to higher interest expense incurred due to higher interest rates on long-term debt to affiliates of its Former Parent and higher maintenance capital expenditures, partially offset by higher normalized EBITDA and lower current income taxes in 2024 compared to 2023.

Long-term Debt and Net Debt



1. Total long-term debt in 2024 includes the Company's Senior Notes and Junior Notes. Total long-term debt in 2023 includes the Company's long-term debt to affiliates of its Former Parent.
2. Net debt at December 31, 2024 includes the 50 per cent equity treatment of the Company's Junior Notes. Refer to *Non-GAAP Financial Measures* within this MD&A for additional information on composition of net debt.

Total long-term debt was $5.7 billion at December 31, 2024 compared to $6.0 billion at December 31, 2023. Pursuant to the Company's initial debt offering on August 28, 2024, the Company repaid its long-term debt to affiliates of its Former Parent in 2024.

Net debt at December 31, 2024 was $4.9 billion compared to $5.7 billion at December 31, 2023. South Bow's inaugural debt offering in August 2024 included $1.1 billion in Junior Notes which receive 50 per cent equity treatment from credit rating agencies. This hybrid equity treatment is applied to South Bow's calculation of net debt for 2024, resulting in lower net debt at December 31, 2024 relative to December 31, 2023. Refer to *Liquidity, Capital Resources and Share Capital* of this MD&A for additional information on the Company's debt, capital structure, and credit ratings.

The Company's net debt-to-normalized EBITDA ratio decreased to 4.5x at December 31, 2024 compared to 5.3x at December 31, 2023, attributable to lower net debt and higher normalized EBITDA generated in 2024 compared to 2023. Refer to the O*utlook and Guidance* section within this MD&A for additional details on South Bow's net debt-to-normalized EBITDA ratio.

Segment Results

Keystone Pipeline System

	Year Ended December 31,		
U.S.$ millions, except where noted	**2024**	2023	**Change**
Revenue	**1,643**	1,556	6 %
Income before income taxes	**778**	687	13 %
Normalized EBITDA	**1,028**	981	5 %
Capital expenditures	**35**	40	(13) %
Keystone Pipeline throughput (Mbbl/d)	**626**	595	5 %
U.S. Gulf Coast segment of Keystone Pipeline System throughput (Mbbl/d)	**795**	694	15 %
Marketlink throughput (Mbbl/d)	**614**	537	14 %
Keystone SOF (%)	**95 %**	93 %	2 %

Income before income taxes increased in the year ended December 31, 2024 compared to 2023, primarily attributable to higher contracted volumes shipped on Marketlink and increased uncommitted volumes and higher rates in the first-quarter of 2024 on the Keystone Pipeline relative to 2023.

Normalized EBITDA for the Keystone Pipeline System increased by $47 million during the year ended December 31, 2024 compared to the same period in 2023, which was primarily attributable to higher revenues in the current period.

Keystone Pipeline System throughput was higher for the year ended December 31, 2024, compared to 2023, driven by an increase in uncommitted volumes on Keystone and an increase in committed volumes on Marketlink.

South Bow delivered record system availability in 2024, with an annual SOF of 95 per cent for the Keystone Pipeline due to continued improvements in system reliability.

Keystone Pipeline System capital expenditures were relatively unchanged in 2024 compared to 2023. Refer to the *Outlook and Guidance* section of this MD&A for details on South Bow's outlook for capital expenditures in 2025.

Marketing

	Year Ended December 31,		
U.S.$ millions	**2024**	2023	**Change**
Income before income taxes	**6**	19	(68) %
Normalized EBITDA	**12**	42	(71) %

The decrease in Marketing's income before income taxes during the year ended December 31, 2024 compared to the same periods in 2023, was primarily attributable to lower margins driven by higher commodity purchases and transportation costs incurred partially offset by lower unrealized losses on risk management contracts compared to the 2023 period.

Normalized EBITDA for the Company's Marketing segment decreased $30 million for the year ended December 31, 2024 compared the same period in 2023, primarily due to narrowed heavy crude oil pricing differentials between Hardisty, Alberta and the U.S. Gulf Coast as well as reduced volumes on Marketlink in 2024 as the Company increased its total committed contracts on the system.

Intra-Alberta & Other

U.S.$ millions	Year Ended December 31, 2024	2023	Change
Revenue	**24**	17	41 %
Income from equity investments	**39**	40	(3) %
Loss before income taxes	**(366)**	(144)	154 %
Normalized EBITDA	**51**	51	— %
Capital expenditures	**106**	6	1667 %

Intra-Alberta & Other revenues remained relatively consistent in the year ended December 31, 2024 and 2023.

Loss before income taxes was greater during the year ended December 31, 2024 primarily as a result of interest expense incurred in the period on the Company's debt which was issued by the Company's corporate entities within the Intra-Alberta & Other segment. Interest was higher in 2024 due to long-term debt issuances from the Former Parent in the third quarter of 2023.

Normalized EBITDA for the Intra-Alberta & Other segment was consistent for the year ended December 31, 2024 and 2023 as a result of the committed nature of the Grand Rapids and White Spruce pipelines.

During 2024, South Bow invested $60 million in the development of the Blackrod Connection Project, in addition to capital expenditures related to the Spinoff.

Refer to the *Outlook and Guidance* section of this MD&A for information on the Company's 2025 outlook and for additional information regarding the Blackrod Connection Project.

Liquidity, Capital Resources, and Share Capital

Liquidity

The following table summarizes the Company's sources and uses of cash for the years ended December 31, 2024 and 2023:

U.S.$ millions	Year Ended December 31, 2024	2023
Cash from (used in):		
Operating activities	**529**	779
Investing activities	**(80)**	62
Financing activities	**(307)**	(577)
Effect of foreign exchange rate changes on cash and cash equivalents	**(7)**	(6)
Net increase (decrease) in cash and cash equivalents	**135**	258

At December 31, 2024, cash and cash equivalents was $397 million (December 31, 2023 - $262 million).

Operating Activities

Cash from operating activities is primarily impacted by changes in operations, fluctuations in demand for uncommitted capacity, commodity prices, changes in cost environment, and timing of cash receipts and payments made. The decrease for the year ended December 31, 2024 is primarily attributable to lower net income and an increase in operating working capital compared to the year ended December 31, 2023.

Investing Activities

Cash used in investing activities is primarily related to maintenance and growth capital expenditures. Cash used in investing activities in 2024 was primarily attributable to the Company's cash capital expenditures of $122 million compared to capital expenditures of $37 million in 2023. During the year ended December 31, 2024, South Bow recognized $38 million in proceeds from sales of Keystone XL pipe which was held for sale, a decrease of $55 million from asset sales in 2023. At December 31, 2024, the $9 million of the remaining Keystone XL pipe was no longer designated as assets held for sale and have been recorded in plant, property and equipment in the consolidated balance sheets.

Financing Activities

Cash used in financing activities primarily relates to the issuance and repayment of long-term debt balances in addition to dividends and share capital transactions. During the year ended December 31, 2024, the Company successfully completed its initial debt offering of Senior Notes and Junior Notes and repaid all previously held long-term debt to affiliates of its Former Parent.

Capital Management

	Year Ended December 31,	
U.S.$ millions, except where noted	**2024**	2023
Cash	**397**	262
Long-term debt	**4,629**	5,967
Junior subordinated notes	**1,087**	—
Net debt	**4,901**	5,715
Income before income taxes	**418**	562
Normalized EBITDA	**1,091**	1,074
Net debt-to-normalized EBITDA ratio	**4.5**	5.3

A significant portion of South Bow's revenues are from long-term committed contracts. The Company has significant room on its revolving credit facility and its first long-term debt maturity is in 2027. South Bow is positioned to meet its operating obligations, including quarterly dividend payments, as declared, and fund its ongoing development projects.

Maintaining a strong balance sheet and financial flexibility is fundamental to South Bow's strategy. At December 31, 2024, net debt-to-normalized EBITDA was 4.5x. The Company is committed to prudently managing leverage and allocating a portion of cash flows towards debt reduction. Through debt reduction, South Bow expects to enhance its financial resilience, reduce interest expense, and create additional capacity to fund future growth initiatives and grow shareholder returns. Refer to the O*utlook and Guidance* section within this MD&A for additional details on South Bow's net debt-to-normalized EBITDA ratio.

South Bow's strategic corridor represents a significant opportunity for long-term value creation. The Company is focused on leveraging existing infrastructure within its strategic corridor to enhance service offerings to customers and to capture market demand.

Dividends represent South Bow's primary means of returning capital to shareholders. South Bow will evaluate share repurchases and dividend growth once its payout ratio has been reduced. These considerations will be undertaken with a disciplined and balanced approach, taking into account factors such as our long-term growth outlook, market conditions, and overall financial position.

Long-term Debt, including Credit Facilities

Long-term Debt Issued and Outstanding

South Bow completed its initial debt offerings on August 28, 2024, comprised of U.S. and Canadian dollar-denominated Senior Notes and U.S. dollar-denominated Junior Notes. Interest rates are fixed on the Senior Notes and Junior Notes, and interest is paid semi-annually beginning in 2025. Refer to *Note 18, Long-term Debt* of the accompanying financial statements for additional information. The table below summarizes the Senior Notes and Junior Notes issued and outstanding as at December 31, 2024:

U.S.$ millions, except where noted		Principal Repayments [1]					
Debt Instrument	**Total**	**2025**	**2026**	**2027**	**2028**	**2029**	**After 2028**
Senior unsecured notes							
U.S. dollar-denominated							
Due September 2027 ($700 million, 4.91%)	**700**	—	—	700	—	—	—
Due October 2029 ($1,000 million, 5.03%)	**1,000**	—	—	—	—	1,000	—
Due October 2034 ($1,250 million, 5.58%)	**1,250**	—	—	—	—	—	1,250
Due October 2054 ($700 million, 6.18%)	**700**	—	—	—	—	—	700
	3,650	—	—	700	—	1,000	1,950
Canadian dollar-denominated debt							
Due February 2030 (C$450 million, 4.32%)	**313**	—	—	—	—	—	313
Due February 2032 (C$500 million, 4.62%)	**347**	—	—	—	—	—	347
Due February 2035 (C$500 million, 4.93%)	**347**	—	—	—	—	—	347
	1,007	—	—	—	—	—	1,007
Less: unamortized debt issue costs	**(28)**						
Total senior unsecured notes	**4,629**	—	—	700	—	1,000	2,957
Junior subordinated notes							
U.S. dollar-denominated							
Due March 2055 ($450 million, 7.63%)	**450**	—	—	—	—	—	450
Due March 2055 ($650 million, 7.50%)	**650**	—	—	—	—	—	650
	1,100	—	—	—	—	—	1,100
Less: unamortized debt issue costs	**(13)**						
Total junior subordinated notes	**1,087**	—	—	—	—	—	1,100
Total long-term debt	**5,716**	**—**	**—**	**700**	**—**	**1,000**	**4,057**

1. Represents principal amount to be repaid on maturity.

Credit Facilities

During the third quarter of 2024, the Company entered into a new four-year senior unsecured revolving credit facility for C$2.0 billion, maturing in October 2028 (the "Facility"). The Company, as authorized to construct and operate a pipeline under the CER Act, is required to maintain adequate financial resources for the Canadian portion of Keystone, of which $347 million (C$0.5 billion) of the Facility is reserved for this purpose.

At December 31, 2024, $1.4 billion (C$2.0 billion) was available and nil was drawn on the Facility. At December 31, 2023, the Company had a revolving credit facility agreement with an affiliate of its Former Parent with total capacity of C$100 million, of which nil was drawn. The facility with the Former Parent was terminated upon Spinoff.

U.S.$ millions, except where noted	**Drawn**	**Available**	**Total**
Unsecured revolving credit facility [1]	—	1,389	1,389
Credit facilities supporting standby letters of credit [1]	16	88	104

1. Canadian capacity available and funds drawn converted to U.S. dollars at the December 31, 2024 foreign exchange rate of 0.69428.

Long-term Debt Repaid

Prior to the Spinoff, the Company had certain U.S. and Canadian dollar-denominated long-term debt due to affiliates of its Former Parent. On August 28, 2024, concurrent with the issuance of the Company's Senior Notes, the Company repaid a $1.25 billion term loan to an affiliate of its Former Parent. On October 1, 2024, the Company repaid the remaining outstanding long-term debt to affiliates of the Former Parent of $4.7 billion.

Interest Expense

	Year Ended December 31,	
U.S.$ millions	**2024**	2023
Interest on long-term debt to affiliates of Former Parent	**270**	211
Interest on Senior Notes	**85**	—
Interest on junior subordinated notes	**28**	—
Amortization and other financial charges [1]	**7**	9
Capitalized interest	**(2)**	—
	388	220

1. Includes amortization of debt issuance, premium, and discount costs associated with Senior and Junior Notes. Other financial charges include bank service charges and carrying charges.

During the year ended December 31, 2024, the Company recorded $388 million of interest expense compared to $220 million in 2023. The increase in 2024 was primarily attributable to higher interest incurred on the Company’s long-term debt to affiliates of Former Parent which was issued in the third quarter of 2023. During 2024, the Company recorded interest on its Senior Notes and Junior Notes, with the first interest payment made subsequent to December 31, 2024.

Interest Income and Other

	Year Ended December 31,	
U.S.$ millions	**2024**	2023
Interest Income	**41**	34
Penalty on early repayment of long-term debt to Former Parent	**(26)**	—
Foreign exchange loss	**(3)**	(2)
	12	32

Pursuant to Spinoff on October 1, 2024, the Company paid a $26 million penalty for early repayment of long-term debt to affiliates of its Former Parent.

Financial Covenants

South Bow is subject to certain financial covenants on its Facility as described in the following table. As at December 31, 2024, the Company was in compliance with covenants on its Facilities in all material respects.

Financial Covenant	Covenant [1]	As at December 31, 2024
Consolidated net debt-to-capitalization [2]	Not to exceed 65%	**53 %**
Interest coverage ratio [3]	Not less than 2.50:1:00	**4.46**

1. Covenant terms defined within respective debt agreements.
2. Per the covenant, consolidated net debt is consolidated total debt less unrestricted cash and cash equivalents of the restricted parties. Total debt is defined as consolidated indebtedness of the Company excluding letters of credit and junior debt securities.
3. Interest coverage ratio is consolidated EBITDA to consolidated interest expense, for the trailing four quarters. Consolidated EBITDA is consolidated net income plus interest expense, income taxes, depreciation and amortization, and other non-cash items. Consolidated interest expense includes all interest paid excluding interest related to Junior Notes and upfront fees associated with the Facilities.

Credit Ratings

Credit ratings, provided by independent rating agencies, assess the Company's creditworthiness and changes may influence the terms to which South Bow can finance in the future. South Bow remains committed to maintaining investment-grade credit metrics and executing strategic initiatives that ensure financial strength while enhancing shareholder value.

South Bow has received independent, investment-grade credit ratings from Moody's Investors Service ("Moody's"), Standard and Poor's ("S&P"), and Fitch Ratings ("Fitch"). These credit ratings assess the Company's creditworthiness, and reflect financial strength and South Bow's ability to meet its financial obligations. The rating agencies regularly review the factors impacting ratings, including financial condition, operations, and market conditions.

	Moody's	S&P	Fitch
Issuer credit rating received [1]	Baa3	BBB-	BBB-
	Stable	Stable	Stable

1. Issuer credit ratings received August 12, 2024.

Share Capital

The Company is authorized to issue an unlimited number of common shares and first and second preferred shares up to 20 per cent of the issued common shares outstanding. At December 31, 2024, no first or second preferred shares have been issued.

The following table summarizes South Bow's share capital at December 31, 2024:

	Common Shares	Share Capital ($ millions)
December 31, 2023 [1]	—	—
Issued on October 1, 2024	207,570,409	2,187
Issued on exercise of stock options	470,700	9
December 31, 2024	**208,041,109**	**2,196**

1. Prior to the Spinoff, the Company had no equity. Refer to *Note 19, Share Capital* of South Bow's accompanying financial statements for additional information. The Former Parent's investment in South Bow was recorded as Parent's net investment.

As of the date of this report, the Company had 208,041,109 common shares outstanding and 781,250 stock options outstanding. Once vested, each outstanding stock option is exercisable for one common shares.

Dividends

Dividends become payable, if, as and when declared by South Bow's Board. Dividends are declared at the discretion of the Board and subject to various factors, including but not limited to the Company's distributable cash flow and overall financial performance.

On November 7, 2024, South Bow declared its inaugural quarterly dividend of $0.50 per share, which was paid on January 31, 2025, to shareholders of record at the close of business on December 31, 2024.

On March 5, 2025, the Board approved a quarterly dividend of $0.50 per share, payable on April 15, 2025, to shareholders of record on March 31, 2025.

Contractual Obligations and Off-balance Sheet Arrangements

Contractual Obligations

South Bow's contractual obligations include operating leases, purchase obligations, and other liabilities incurred within the business. The Company's contractual obligations and commitments outstanding at December 31, 2024 are summarized below:

U.S.$ millions	**Total**	**2025**	**2026**	**2027**	**2028**	**2029**	**Thereafter**
Long-term debt principal repayments	**5,756**	—	—	700	—	1,000	4,056
Interest payments	**5,165**	327	330	316	294	280	3,618
Transportation by other parties [1]	**13**	10	3	—	—	—	—
Capital expenditures [2]	**125**	120	5	—	—	—	—
Other	**3**	1	1	1	—	—	—
Total	**11,062**	458	339	1,017	294	1,280	7,674

1. Contractual obligations are based on volumes contracted through capacity arrangements and exclude any variable charges that may be incurred when volumes flow.
2. Capital expenditures primarily relate to the Blackrod Connection Project. Amounts are estimates and subject to variability based on timing of construction and project requirements. Expenditures include obligations for growth projects and are presented based on projects proceeding as currently planned. Any changes to projects, including timing or possible cancellation, could change these estimates.

Guarantees

The Company has guaranteed the Senior Notes and Junior Notes issued by certain subsidiaries. Refer to *Parental Guarantees of Debt* within this MD&A for details.

South Bow and its partners in certain jointly-owned entities have guaranteed the financial performance of these entities with maximum term to 2043. At December 31, 2024 Company's share of maximum potential exposure under the guarantees is C$56 million (2023 - C$56 million). Under these guarantees, if the Company makes a payment that exceeds South Bow's share of ownership interest, the additional amount must be reimbursed by the partners.

Off-balance Sheet Arrangements

Except for the guarantees discussed above, as at December 31, 2024, South Bow does not have any off-balance sheet arrangements that have, or are reasonably likely to have a current or future effect on the Company's financial performance or financial condition.

Outlook and Guidance

Market Outlook

While approximately 90 per cent of South Bow's normalized EBITDA is contracted through committed arrangements, which carry minimal commodity price or volumetric risk, demand for uncommitted capacity on the Keystone System is anticipated to remain subdued in 2025 as Western Canadian Sedimentary Basin ("WCSB") crude oil pipeline capacity exceeds supply.

The potential for, and continuation of, tariffs on energy imposed by the U.S. government and counter-tariffs imposed by the Canadian government have created economic and geopolitical uncertainty, resulting in volatility in pricing differentials. Persistence of this uncertainty may create additional headwinds for uncommitted capacity on South Bow's pipeline systems and impact South Bow's Marketing segment results. Given the uncertainty, South Bow's guidance for 2025 does not account for the future potential impact of sustained tariffs.

Guidance

South Bow's guidance aims to inform readers about Management's expectations for financial and operational results in 2025. Readers are cautioned that these estimates may not be suitable for any other purpose. Refer to *Forward-Looking Information* within this MD&A for additional information regarding factors that could cause actual events and results to be significantly different from those expected.

South Bow's 2025 annual guidance and comparative 2024 actual results are outlined below:

$ millions, except percentages [1]	2024 Actuals	2025 Guidance
Normalized EBITDA	1,091	**1,010 ± 3%**
Interest expense	388	**325 ± 2%**
Current tax rate (%)	23%	**23% - 24%**
Distributable cash flow	608	**535 ± 3%**
Capital expenditures		
Growth	73	**110 ± 3%**
Maintenance [2]	61	**65 ± 3%**

1. Assumes average foreign exchange rate of C$/U.S.$ of 1.4286.
2. Maintenance capital expenditures are generally recoverable through South Bow's tolling arrangements.

The financial outlook for South Bow in 2025 is supported by the Company's highly contracted cash flows and strong structural demand for services. Normalized EBITDA is projected to be approximately $1.01 billion, within a range of three per cent, with approximately 90 per cent secured through committed arrangements.

South Bow has reduced its outlook for normalized EBITDA for its Marketing segment by approximately $30 million relative to 2024, due to continued impacts of WCSB crude oil pipeline capacity exceeding supply and South Bow's response to market uncertainty caused by the potential for, and continuation of, tariffs, including the unwinding of certain positions to minimize South Bow's exposure to further pricing volatility.

South Bow anticipates that its interest expense for 2025 will be approximately $325 million, within a range of two per cent, and that the Company's current tax rate will range from 23 per cent to 24 per cent.

Distributable cash flow is expected to be approximately $535 million, within a range of three per cent, which South Bow intends to use to fund its expected annual dividend of $416 million ($2.00/share), subject to approval and declaration by the Board, and investments required to continue advancing the Blackrod Connection Project.

South Bow expects that its net debt-to-normalized EBITDA ratio will increase modestly through the course of 2025 as the Company continues to invest in the Blackrod Connection Project and incur one-time costs of approximately $40 million to $50 million associated with the Spinoff.

South Bow plans to invest approximately $110 million, within a range of three per cent, in growth capital expenditures for the Blackrod Connection Project in 2025. The total expected capital cost of the project is estimated to be $180 million, and the project is targeted to be ready for in-service in early 2026. As of December 31, 2024, South Bow has invested $62 million in the project.

Maintenance capital expenditures are estimated to be approximately $65 million, within a range of three per cent, in 2025, as South Bow proactively completes maintenance activities while demand for uncommitted capacity is expected to be subdued, and invests in information services infrastructure. These expenditures are generally recoverable through South Bow's tolling arrangements.

Capital Program

U.S.$ millions	Year Ended December 31, 2024	2023
Growth capital expenditures	**73**	28
Maintenance capital expenditures [1]	**61**	19
Separation capital expenditures	**7**	—
Total capital expenditures	**141**	47
Non-cash capital expenditures [2]	**(19)**	(10)
Capital expenditures [2]	**122**	37

1. Maintenance capital expenditures are generally recoverable through South Bow's tolling arrangements.
2. Per the consolidated statements of cash flows in the accompanying financial statements. Capital expenditures are presented in cash used in investing activities and non-cash capital expenditures are presented in the supplementary cash flow disclosures.

Capital expenditures were $122 million for the year ended December 31, 2024 attributable to growth capital and maintenance capital expenditures.

South Bow invested $73 million in growth capital expenditures in 2024, with $60 million of that towards the Blackrod Connection Project. The increase in maintenance capital expenditures incurred in 2024 are primarily attributable to capital investments incurred to support the Spinoff, including information systems and leasehold improvements.

Blackrod Connection Project

Supported by long-term committed contracts, South Bow is developing the Blackrod Connection Project, consisting of a 25-km (16-mi) crude oil pipeline and a 25-km (16-mi) natural gas lateral, as well as associated facilities, to provide crude oil transportation from International Petroleum Corporation's Blackrod Project to South Bow's Grand Rapids Pipeline.

During 2024, the Company advanced the Blackrod Connection Project in Alberta, and anticipates the project to be ready for in-service in early 2026. South Bow is in the final stages of completing construction of the project's 25-km crude oil and natural gas pipeline segments, with welding complete and hydrostatic testing activities underway. Facility construction, including the tank terminal, is expected to be completed in late 2025.

Sensitivity Analysis

South Bow's financial performance and results are impacted by various factors, including changes in foreign currency rates and quantity of uncommitted Keystone volumes shipped. Fluctuations in these, and other factors, can have a positive or negative effect on normalized EBITDA. The following table summarizes the estimated impact of these factors on expected 2025 results:

U.S.$ millions, except where noted	Increase or Decrease		Estimated Impact on Normalized EBITDA
Change in U.S. per Canadian dollar exchange rate	$	0.05	**± 10**
Change in Keystone uncommitted volumes (bbl/d) at IJT rates [1]		2,500	**± 5**

1. Change in uncommitted volumes shipped on Keystone at the posted International Joint Tariff ("IJT") rates. Does not include make up right volumes charged at the variable toll.

Recent Developments

Spinoff Transaction

The Separation Agreement between South Bow and TC Energy outlines terms which indemnify South Bow for 86 per cent of total assets, liabilities, and costs associated with the Milepost 14 incident, Keystone XL recoveries, and the existing variable toll disputes on the Keystone Pipeline System (excluding any future disputes with respect to the variable toll after October 1, 2024) subject to a maximum liability to South Bow of $21 million (C$30 million), in aggregate. Any amounts that may ultimately be payable in respect of these net liabilities and costs above the current accrued amount are indeterminable at this time and subject to estimation uncertainty. Refer to *Note 4, Spinoff Transaction* of the accompanying financial statements for additional details.

Beginning on October 1, 2024, pursuant to the TSA, the Company was billed $5 million in costs associated with the TSA for the year ended December 31, 2024. These costs relate to but are not limited to, fees for services received and information system costs. The Company expects to incur TSA related costs during the transition period as it implements new systems. Refer to *Basis of Presentation* in this MD&A for additional details.

Variable Toll Disputes

In 2019 and 2020, certain customers of South Bow's Keystone Pipeline initiated complaints before the Federal Energy Regulatory Commission ("FERC") and the Canada Energy Regulator ("CER") regarding certain costs within the variable toll calculation.

In February 2023, FERC released its initial decision in respect of the complaint, which addressed previously charged tolls recognized in prior periods. As a result of this decision, the Company recorded an adjustment of $42 million related to tolls previously charged between 2018 and 2022, which was accrued by the Company in 2023. On July 25, 2024, FERC released its Order on Initial Decision ("Order") in respect of the complaint and as a result, South Bow recognized an additional estimated liability of $19 million during the three months ended June 30, 2024. At December 31, 2024, the Company reduced the estimated liability by $11 million and recognized a $8 million pre-tax charge for the year ended December 31, 2024 with respect to the Order. On October 8, 2024, South Bow submitted a compliance filing, which is subject to final FERC approval, which South Bow expects to occur in 2025.

The Company has recorded receivables related to its dispute with customers filed with the CER for amounts expected to be collected in the future for variable tolls. The Company expects a decision from the CER in 2025.

While the Company believes it has strong arguments that the variable tolls in dispute with the CER and FERC were properly calculated and applied, any amounts above the current accrued amounts that may ultimately be payable or receivable in respect of these disputes are indeterminable at this time; however, such may be material. These disputes are subject to the indemnification with the Company's Former Parent.

Milepost 14 Incident

In December 2022, the Milepost 14 incident occurred on the Keystone Pipeline, releasing 12,937 barrels of crude oil in Washington County, Kansas. As a result of the incident, the Company was subject to an ACAO issued by the PHMSA. By June 2023, the recovery of all released volumes was completed, and by October 2023, creek restoration was finished, restoring natural flows to Mill Creek. Refer to *Note 14, Keystone Environmental Provision* of the accompanying financial statements for additional information. In January 2025, the Company received PHMSA approval of the remedial work plan. This approval culminates the completion of 2,145 miles of inline inspections across the Keystone Pipeline System and 68 investigative excavations over the past two years. In March 2025, South Bow received approval from PHMSA to lift the pressure restriction on the affected segment to 72 per cent of the specified minimum yield strength of the pipeline. The affected segment includes the section of the pipeline where the Milepost 14 incident occurred.

In the fourth quarter of 2024, South Bow recognized a provision for $30 million for its best estimate of incremental costs in relation to the Milepost 14 incident. South Bow also recognized a receivable for 86 per cent ($26 million) representing its Former Parent share of this anticipated incremental cost pursuant to the indemnity clauses in the Separation Agreements.

Non-GAAP Financial Measures

Throughout this MD&A, the Company references certain non-GAAP financial measures and non-GAAP ratios which do not have any standardized meaning as prescribed by GAAP and therefore may not be comparable to similar measures presented by other entities. These non-GAAP measures include or exclude adjustments to the composition of the most directly comparable GAAP measures. Management considers these non-GAAP measures and non-GAAP ratios to be important in evaluating and understanding the operating performance and liquidity of South Bow. These non-GAAP measures should not be considered in isolation or as a substitute for financial information presented in accordance with GAAP.

South Bow's non-GAAP financial measures and non-GAAP ratios include: normalized EBITDA, normalized net income, normalized net income per share, distributable cash flow, net debt, and net debt-to-normalized EBITDA. These measures and ratios are further described with a reconciliation to their most directly comparable GAAP measure below.

Normalizing Items

Normalized measures are (or include) non-GAAP financial measures and include normalized EBITDA, normalized net income, normalized net income per share, distributable cash flow and net debt-to-normalized EBITDA. Management uses these normalized measures as a way to assess the financial performance of South Bow's operations and compare period over period. During certain reporting periods, the Company may incur costs which are not indicative of core operations or results. These normalized measures represent income (losses) adjusted for specific normalizing items that are believed to be significant; however, they are not reflective of South Bow's underlying operations in the period.

These specific items include gains or losses on sales of assets or assets held for sale, unrealized fair value adjustments related to risk management activities, acquisition, integration and restructuring costs, and other charges including but not limited to impairment, contractual costs and settlements.

South Bow excludes the unrealized fair value adjustments related to risk management activities as these represent the changes in the fair value of derivatives, but do not accurately reflect the gains and losses that will be realized at settlement and impact income. Therefore, the Company does not consider them reflective of its underlying operations, despite providing effective economic hedges. Realized gains and losses on grade financial contracts are adjusted to improve comparability as they settle in a subsequent period to the underlying transaction they are hedged against.

Separation costs relate to internal costs and external fees incurred specific to the Spinoff. These items have been excluded from normalized measures as Management does not consider them reflective of ongoing operations and they are non-recurring in nature.

Normalized EBITDA

Normalized EBITDA is used as a measure of earnings from ongoing operations. Management uses this measure to monitor and evaluate the financial performance of the Company's operations and to identify and evaluate trends. This measure is useful for investors as it allows for more comparable performance of the Company across periods for ongoing operations. Normalized EBITDA represents income before income taxes adjusted for the normalizing items, in addition to excluding charges for depreciation and amortization, interest expense, and interest income.

The following table reconciles income before taxes to normalized EBITDA for the three months and year ended December 31, 2024 and 2023:

U.S.$ millions	Three Months Ended December 31,		Year Ended December 31,	
	2024	2023	**2024**	2023
Income before income taxes	**72**	131	**418**	562
Adjusted for specific items:				
Depreciation and amortization	**62**	61	**246**	244
Interest expense	**84**	105	**388**	220
Interest income and other	**28**	(7)	**(12)**	(32)
Risk management instruments	**57**	(15)	**8**	25
Keystone variable toll disputes	**(3)**	—	**8**	42
Milepost 14 costs	**4**	—	**4**	—
Separation costs	**(1)**	3	**29**	3
Keystone XL costs and other	**(13)**	—	**2**	10
Normalized EBITDA	**290**	278	**1,091**	1,074

The following table reconciles income (loss) before income tax to normalized EBITDA by operating segment for the years ended December 31, 2024 and 2023:

U.S.$ millions	Year Ended December 31, 2024			
	Keystone Pipeline System	**Marketing**	**Intra-Alberta & Other**	**Total**
Income (loss) before income taxes	**778**	**6**	**(366)**	**418**
Adjusted for specific items:				
Depreciation and amortization	**238**	**—**	**8**	**246**
Interest expense	**1**	**1**	**386**	**388**
Interest income and other	**(3)**	**(3)**	**(6)**	**(12)**
Risk management instruments	**—**	**8**	**—**	**8**
Keystone variable toll disputes	**8**	**—**	**—**	**8**
Milepost 14 costs	**4**	**—**	**—**	**4**
Separation costs	**—**	**—**	**29**	**29**
Keystone XL costs and other	**2**	**—**	**—**	**2**
Segment normalized EBITDA	**1,028**	**12**	**51**	**1,091**

U.S.$ millions	Year Ended December 31, 2023 Keystone Pipeline System	Marketing	Intra-Alberta & Other	Total
Income (loss) before income taxes	687	19	(144)	562
Adjusted for specific items:				
Depreciation and amortization	239	—	5	244
Interest expense	7	2	211	220
Interest income and other	(4)	(4)	(24)	(32)
Risk management instruments	—	25	—	25
Keystone variable toll disputes	42	—	—	42
Separation costs	—	—	3	3
Keystone XL costs and other	10	—	—	10
Segment normalized EBITDA	**981**	**42**	**51**	**1,074**

Normalized Net Income and Normalized Net Income per Share

Normalized net income represents net income adjusted for the normalizing items described above and is used by management to assess the earnings that are representative of South Bow's operations. By adjusting for non-recurring items and other factors that do not reflect the Company's ongoing performance, normalized net income provides a clearer picture of the Company's continuing operations. This measure is particularly useful for investors as it allows for a more accurate comparison of financial performance and trends across different periods. On a per share basis, normalized net income is derived by dividing the normalized net income by the weighted average common shares outstanding at the end of the period. This per share measure is valuable for investors as it provides insight into the company's profitability on a per share basis, making it easier to evaluate the Company's performance.

The following table reconciles net income to normalized net income for the three months and years ended December 31, 2024 and 2023:

U.S.$ millions, except share and per share amounts	Three Months Ended December 31, 2024	2023	Year Ended December 31, 2024	2023
Net income	**55**	103	**316**	442
Adjusted for specific items:				
Risk management instruments	**57**	(15)	**8**	25
Keystone variable toll disputes	**(3)**	—	**8**	42
Milepost 14 costs	**4**	—	**4**	—
Separation costs	**27**	3	**67**	3
Keystone XL costs and other	**(13)**	3	**2**	17
Tax effect of above adjustments	**(15)**	—	**(22)**	(25)
Normalized net income	**112**	94	**383**	504
Weighted average common shares outstanding - diluted (millions)	**208.4**	207.6	**208.2**	207.6
Normalized net income per share - diluted	**0.54**	0.45	**1.84**	2.43

Distributable Cash Flow

Distributable cash flow is used to assess the cash generated through business operations that can be used for South Bow's capital allocation decisions, helping investors understand the Company's cash-generating capabilities and its potential for returning value to shareholders. Distributable cash flow is based on income before income taxes, adjusted for depreciation and amortization, interest income and other, the normalizing items discussed above and further adjusted for specific items, including income and distributions from the Company's equity investments, maintenance capital expenditures, which are capitalized and generally recoverable through South Bow's tolling arrangements, and current income taxes.

The following table reconciles normalized EBITDA to distributable cash flow for the three months and years ended December 31, 2024 and 2023:

	Three Months Ended December 31,		Year Ended December 31,	
$ millions, except where noted	**2024**	2023	**2024**	2023
Income before income taxes	**72**	131	**418**	562
Adjusted for specific items:				
Depreciation and amortization	**62**	61	**246**	244
Interest income and other	**28**	(7)	**(12)**	(32)
Normalizing items, net of tax [1]	**34**	(9)	**39**	62
Income from equity investments	**(12)**	(13)	**(49)**	(50)
Distributions from equity investments	**20**	15	**70**	71
Maintenance capital expenditures [2]	**(15)**	(2)	**(61)**	(19)
Current income tax expense	**(6)**	(15)	**(43)**	(53)
Distributable cash flow	**183**	161	**608**	785

1. Normalizing items per normalized EBITDA reconciliation, net of tax.
2. Maintenance capital is recoverable from customers which is capitalized for GAAP purposes.

Net Debt and Net Debt-to-normalized EBITDA Ratio

Net Debt is used as a key leverage measure to assess and monitor South Bow's financing structure. It provides an overview of the Company's long-term debt obligations, net of cash and cash equivalents. This measure is useful for investors as it offers insights into the Company's financial health and its ability to manage and service its debt obligations. Net debt is defined as the sum of total long-term debt and 50 per cent treatment of Junior Notes, operating lease liabilities, and dividends payable less cash and cash equivalents per the Company's consolidated balance sheets.

Net debt-to-normalized EBITDA is used to monitor the Company's leverage position in comparison to its normalized EBITDA. This ratio provides investors with insight into the Company's ability to service its long-term debt obligations relative to its operational performance. A lower ratio indicates stronger financial health and greater capacity to meet its debt obligations.

The following table reconciles total long-term debt to net debt at December 31, 2024 and 2023:

U.S.$ millions, except where noted	As at December 31, **2024**	2023
Senior unsecured notes	**4,629**	5,967
Junior subordinated notes	**1,087**	—
Total long-term debt	**5,716**	5,967
Adjusted for:		
Hybrid treatment for junior subordinated notes [1]	**(544)**	—
Operating lease liabilities	**22**	10
Dividends payable	**104**	—
Cash and cash equivalents	**(397)**	(262)
Net debt	**4,901**	5,715
Normalized EBITDA	**1,091**	1,074
Net debt-to-normalized EBITDA	**4.5**	5.3

1. The Company's junior subordinated notes receive 50 per cent equity treatment from credit rating agencies. This treatment is captured in the Company's net debt calculation above.

Accounting Matters

Critical Accounting Estimates

In preparing the consolidated financial statements in accordance with U.S. GAAP, Management is required to make estimates and assumptions that impact the reported amounts of assets, liabilities, revenues, and expenses, as well as the disclosure of contingent assets and liabilities. These estimates and assumptions are based on the most current information available and involve a significant degree of judgment. Changes in estimates are carefully monitored and any changes in estimates are recorded in the current period. Critical accounting estimates may significantly impact South Bow's financial position, changes in financial position, and financial performance. These estimates affect various financial statement line items and are essential for providing a clear and accurate representation of the Company's financial health. The Company's critical accounting estimates include, but are not limited to:

Impairment of Long-lived Assets

The Company reviews long-lived assets, such as plant, property and equipment, and capital projects in development, for impairment whenever events or changes in circumstances lead Management to believe the Company may not be able to recover an asset's carrying value. Factors considered in the assessment of the recoverability of long-lived assets include, but are not limited to, macroeconomic conditions, changes in the industries and markets in which South Bow operates, the Company's ability to renew contracts, and the financial performance and prospects of assets. If the total of the undiscounted future cash flows that Management estimates for an asset within plant, property and equipment, or the estimated selling price of any long-lived asset is less than its carrying value, South Bow considers its fair value to be less than its carrying value and records an impairment loss to recognize this.

Changes in Accounting Policies

Prior to Spinoff, the Company reported under the Former Parent's reporting currency, Canadian dollars. Upon Spinoff, the Company has designated the U.S. dollar as its reporting currency for the period ended December 31, 2024, as described in *Note 2, Basis of Presentation and Accounting Policies*. Certain entities within the Company have a functional currency of Canadian dollars and are translated into U.S. dollars for consolidation reporting purposes. As required by ASC 830 Foreign Currency Matters, this change in reporting currency has been applied retrospectively to all periods presented in the annual consolidated financial statements as follows:

- statements of income and comprehensive income have been translated from the previous Canadian dollar currency into U.S. dollar using the respective monthly average foreign exchange rate for each month within the annual reporting period presented;
- assets and liabilities presented on the consolidated balance sheets have been translated using the foreign exchange rate on the respective balance sheet dates; and
- opening shareholders' equity at January 1, 2023 has been translated at the historical rate on that day and movements in shareholders' equity subsequent to this date have been translated using the historical rate on the date of the respective transaction.

Change in Reportable Segments

As a result of the Spinoff, the Company underwent a reorganization of its internal structure and reporting framework, triggering a change in reportable segments per ASC 280 *Segment Reporting.* The changes were reviewed by South Bow's Chief Executive Officer ("CEO"), whom is the Chief Operating Decision Maker ("CODM") and the reportable segments were updated to align with the Company's operations and reporting structure, which differ from the Former Parent. This change in reportable segments has been applied retrospectively to all periods presented in the consolidated financial statements. Refer to *Note 5, Segment Results* for additional information.

Accounting Changes Adopted

Amendments to Segment Reporting

In November 2023, the Financial Accounting Standards Board ("FASB") issued ASU 2023-07 *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* to enhance disclosures regarding a public entity's reportable segments and address requests from investors for more detailed information about a reportable segment's expenses. The guidance is effective for annual periods beginning January 1, 2024, and interim periods beginning January 1, 2025. The Company has adopted the standard as of December 31, 2024 and applied changes in disclosures retrospectively to periods presented in the consolidated financial statements. Refer to *Note 5, Segment Results* for additional information.

New and Amended Standards Issued but Not Yet Adopted

Improvements to Income Tax Disclosures

In December 2023, the FASB issued ASU 2023-09 *Improvements to Income Tax Disclosures* to enhance the transparency and decision usefulness of income tax disclosures through improvements to the rate reconciliation and income taxes paid information. The guidance also includes certain other amendments to improve the effectiveness of income tax disclosures. This new guidance is effective for the annual period beginning January 1, 2025. The guidance is applied prospectively with retrospective application permitted. Early adoption is permitted for annual financial statements not yet issued. The Company has chosen not to early adopt this guidance and is evaluating the impact on its consolidated financial statements.

Disaggregation of Income Statement Expenses

In November 2024, the FASB issued ASU 2024-03 *Disaggregation of Income Statement Expenses,* which requires additional disclosures about certain costs and expenses in the notes to the consolidated financial statements. This new guidance is effective for annual periods beginning after December 15, 2026, and interim periods within annual periods beginning after December 15, 2027, with early adoption permitted. The guidance is to be applied prospectively, with retrospective application permitted. The Company is currently evaluating the impact on its consolidated financial statements and related disclosures.

Related Party Transactions

Prior to the Spinoff, South Bow did not operate as a standalone business and its Former Parent was responsible for providing the Company's administrative and operating services (referred to as "corporate expenses") necessary to operate the business. These allocated corporate expenses are capitalized or expensed based on the nature of underlying expenditure. In addition, the Company also incurs operating costs provided by subsidiaries of its Former Parent that are not allocated but are direct costs. These direct costs are capitalized or expensed based on the nature of underlying expenditure. These transactions were considered related party transactions up to September 30, 2024, the day prior to Spinoff.

The allocated corporate expenses, direct operating costs, interest expense on long-term debt due to affiliates of South Bow's Former Parent, and interest income with affiliates of its Former Parent were as follows:

U.S.$ millions	Year Ended December 31, **2024**	2023
Allocated corporate expenses		
Plant operating costs and other	**89**	143
Plant, property and equipment	**3**	3
Equity investments [1]	**2**	13
	94	159
Direct operating costs		
Plant operating costs and other	**81**	123
Plant, property and equipment	**4**	4
Equity investments [2]	**1**	6
	86	133
Interest income with affiliates of Former Parent	**—**	22
Interest expense on long-term debt to affiliates of Former Parent	**270**	211
Return of capital payment [3]	**24**	—

1. For the year ended December 31, 2024, $2 million impacted income from equity investments (2023 - $11 million).
2. For the year ended December 31, 2024, $1 million impacted income from equity investments (2023 - $5 million).
3. On September 30, 2024, the Company declared a return of capital distribution and paid it on October 1, 2024.

U.S.$ millions	As at December 31, **2024**	2023	**Affected Line Item on the Consolidated Balance Sheets**
Due from affiliates of Former Parent	—	3	Accounts receivable
Due to affiliates of Former Parent	—	104	Accounts payable and other
Long-term debt to affiliates of Former Parent	—	5,967	Long-term debt

Risk Factors

Financial Risks

South Bow is exposed to various financial risks and has strategies, policies, and limits in place to manage the impact of these risks on the Company's earnings and cash flows and, ultimately, shareholder value.

Risk management strategies, policies, and limits are designed to ensure the Company's risks and related exposures are in line with South Bow's business objectives and risk tolerance. The Company's risks are managed within limits that are established by the Board, implemented by senior Management and monitored by the risk management, internal audit, and business segment groups. South Bow's Audit Committee of the Board oversees how Management monitors compliance with risk management policies and procedures and oversees Management's review of the adequacy of the risk management framework.

Market Risk

The Company constructs and invests in crude oil pipeline systems, purchases and sells commodities, including amounts in foreign currencies, and invests in foreign operations. Certain of these activities expose the Company to market risk from changes in commodity prices, foreign exchange, and liquidity risk, all of which may impact the Company's earnings, cash flows, and the value of its financial assets and liabilities. The Company assesses contracts used to manage market risk to determine whether all, or a portion, meets the definition of a derivative.

Derivative contracts that the Company uses to assist in managing exposure to market risk may include the following:

- forwards and futures contracts – agreements to purchase or sell a specific financial instrument or liquids commodity at a specified price and date in the future; and
- options – agreements that convey the right, but not the obligation, of the purchaser to buy or sell a specific amount of a financial instrument or commodity at a fixed price, either at a fixed date or at any time within a specified period.

Commodity Price Risk

The Company's Marketing business enters into pipeline and storage terminal capacity contracts as well as crude oil purchase and sale agreements, fixing a portion of the exposure on these contracts by entering into financial instruments to manage price fluctuations that arise from physical commodity transactions.

Sustained lower crude oil prices could lead to reduced investment in upstream development, expansion, and production, which could negatively impact opportunities for the Company to expand its asset base and re-contract with customers as contractual agreements expire.

Liquidity Risk

Liquidity risk is the risk that South Bow will not be able to meet its financial obligations as they come due. The Company’s ability to fund future capital projects and carry out its business plan is dependent on South Bow’s ability to generate cash flows, raise capital in a timely manner and under favourable terms and conditions, and will be impacted by credit ratings and general capital markets condition. Changes in credit ratings may impact South Bow’s ability to enter and maintain certain contracts. Management of liquidity risk requires the Company to maintain sufficient cash and cash equivalents, maintain adequate cash flows from operating activities, availability of credit facilities, and access to capital markets, to meet obligations as they become due.

Foreign Exchange Risk

A portion of the Company's entities generate all or most of their earnings in Canadian dollars and, since the Company reports its financial results in U.S. dollars, changes in the value of the Canadian dollar against the U.S. dollar can impact its net income. If the Company's Canadian dollar-denominated operations continue to grow, this exposure increases.

The Company is exposed to foreign exchange risk in its Canadian dollar functional currency entity which holds U.S dollar-denominated debt. This foreign exchange risk is offset by the designation of $1.1 billion of U.S. dollar-denominated Junior Notes as a net investment hedge in foreign operations at December 31, 2024 (2023 - nil). The net investment hedge is perfectly effective and foreign exchange gain or loss, as determined by the respective period end rate, is reported as cumulative translation adjustment within OCI.

Counterparty Credit Risk

South Bow's exposure to counterparty credit risk includes its cash and cash equivalents, accounts receivable, environmental provision and certain contractual recoveries, available-for-sale assets, and the fair value of derivative assets.

At times, the Company's counterparties may endure financial challenges resulting from commodity price and market volatility, economic instability, and political or regulatory changes. In addition to actively monitoring these situations, there are a number of factors that reduce the Company's counterparty credit risk exposure in the event of default, including:

- contractual rights and remedies, together with the utilization of contractually-based financial assurances;
- the competitive position of the Company's assets and the demand for the Company's services; and
- potential recovery of unpaid amounts through bankruptcy and similar proceedings.

South Bow reviews financial assets carried at amortized cost for impairment using the lifetime expected loss of the financial asset at initial recognition and throughout the life of the financial asset. The Company uses historical credit loss and recovery data, adjusted for Management's judgment regarding current economic and credit conditions, along with reasonable and supportable forecasts to determine any impairment, which is recognized in plant operating costs and other in the consolidated statements of income.

The Company had no significant credit losses and no significant amounts impaired at December 31, 2024 and 2023 within normal trade accounts receivable. At December 31, 2024 and 2023, there were no significant credit risk concentrations.

The Company has $56 million in Keystone XL contractual recoveries from two counterparties and $114 million in Keystone contractual recoveries from certain customers related to variable toll disputes with the CER. These recoveries are part of the indemnity adjustments with the Company's Former Parent. Refer to *Note 4, Spinoff Transaction* for additional information related to indemnification.

The Company has significant credit and performance exposure to financial institutions that hold cash. The Company’s portfolio of financial sector exposure consists primarily of highly-rated investment grade, systemically important financial institutions.

Legal Proceedings

The Company is subject to various legal proceedings, arbitration, and actions arising in the normal course of business. South Bow assesses all legal matters on an ongoing basis, including those relating to the Company’s equity investments. With the potential exception of matters discussed in *Note 24, Commitments, Contingencies, and Guarantees* of the accompanying financial statements, it is the opinion of Management that the ultimate resolution of such proceedings and actions will not have a material impact on the Company’s financial position or results of operations.

Financial Instruments

Non-derivative Financial Instruments

Fair Value of Non-derivative Financial Instruments

Available-for-sale assets are recorded at fair value, which is calculated using quoted market prices where available. Certain non-derivative financial instruments included in cash and cash equivalents, accounts receivable, environmental provision recovery, contractual recoveries, other current assets, other long-term assets, accounts payable and other, and other long-term liabilities have carrying amounts that approximate their fair value due to the nature of the item or the short time to maturity. Each of these instruments are classified in Level II of the fair value hierarchy.

Credit risk has been taken into consideration when calculating the fair value of non-derivative financial instruments.

Balance Sheet Presentation of Non-derivative Financial Instruments

The following table details the fair value of non-derivative financial instruments, excluding those where carrying amounts approximate fair value, and would be classified in Level II of the fair value hierarchy:

As at December 31,	**2024**		2023	
U.S.$ millions	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Long-term debt due to affiliates	**—**	**—**	(5,967)	(6,163)
Senior long-term debt due to third party	**(4,629)**	**(4,598)**	—	—
Junior long-term debt due to third party	**(1,087)**	**(1,135)**	—	—

Available-for-sale Assets Summary

The following tables summarizes additional information about the Company's LMCI restricted investments that were classified as available-for-sale assets:

	As at December 31,	
U.S.$ millions	**2024**	2023
Fair value of fixed income securities [1, 2]		
Maturing within 1 year	**—**	1
Maturing within 1-5 years	**—**	—
Maturing within 5-10 years	**—**	—
Maturing after 10 years	**80**	78
	80	79

1. Available-for-sale assets are recorded at fair value and included in other long-term assets on the Company's consolidated balance sheets.
2. Classified in Level II of the fair value hierarchy.

	Year Ended December 31,	
U.S.$ millions	**2024**	2023
Net unrealized (losses) gains [1]	**(1)**	8
Net realized losses [1, 2]	**(2)**	(5)

1. Unrealized and realized gains (losses) arising from changes in the fair value of LMCI restricted investments impact the subsequent amounts to be collected through tolls to cover future pipeline abandonment costs. As a result, the Company records these gains and losses within other long-term assets and liabilities.
2. Realized losses on the sale of LMCI restricted investments are determined using the average cost basis.

Derivative Instruments

Fair Value of Derivative Instruments

The fair value of commodity derivatives has been calculated using quoted market prices where available. In the absence of quoted market prices, third-party broker quotes or other valuation techniques have been used. The fair value of options has been calculated using the binomial pricing model. Credit risk has been taken into consideration when calculating the fair value of derivative instruments. Unrealized gains and losses on derivative instruments are not necessarily representative of the amounts that will be realized on settlement.

Even though the derivatives are considered to be effective economic hedges, they do not meet the specific criteria for hedge accounting treatment or are not designated as a hedge and are accounted for at fair value with changes in fair value recorded in net income in the period of change. This may expose the Company to increased variability in reported earnings because the fair value of the derivative instruments can fluctuate significantly from period to period.

Balance Sheet Presentation of Derivative Instruments

The balance sheet classification of the fair value of held-for-trading, commodity derivative instruments was as follows:

	As at December 31,	
U.S.$ millions	**2024**	2023
Other current assets (Note 7)	**188**	527
Total derivative assets	**188**	527
Accounts payable and other (Note 13)	**(219)**	(552)
Total derivative liabilities	**(219)**	(552)
Total derivatives [1, 2]	**(31)**	(25)

1. Fair value equals carrying value.
2. Includes purchases and sales of crude oil.

The majority of derivative instruments held-for-trading have been entered into for risk management purposes and all are subject to South Bow's risk management strategies, policies, and limits. These include derivatives that have not been designated as hedges or do not qualify for hedge accounting treatment but have been entered into as economic hedges to manage the Company's exposures to market risk.

Notional and Maturity Summary

The maturity and notional amount or quantity outstanding related to the Company's liquids commodity derivative instruments was as follows:

	As at December 31,	
	2024	2023
Net purchases volumes (millions of barrels)	**(14)**	(7)
Maturity dates (year)	**2025**	2024

Unrealized and Realized Gains (Losses) on Commodity Derivative Instruments

	Year Ended December 31,	
U.S.$ millions	**2024**	2023
Derivative instruments held-for-trading [1]		
Unrealized losses	**(6)**	(26)
Realized gains	**459**	458
Gains (losses) on derivatives	**453**	432

1. Realized and unrealized gains (losses) on derivative instruments held-for-trading used to purchase and sell crude oil are included on a net basis in revenues on the consolidated statements of income.

Offsetting of Derivative Instruments

South Bow enters into commodity derivative contracts with the right to offset in the normal course of business as well as in the event of default. The Company has no master netting agreements; however, similar contracts are entered into containing rights to offset.

The Company has elected to present the fair value of derivative instruments with the right to offset on a gross basis on the consolidated balance sheets.

The following tables show the impact on the presentation of the fair value of derivative instrument assets and liabilities had the Company elected to present these contracts on a net basis:

As at December 31, 2024 *U.S.$ millions*	**Gross Derivative Instruments**	**Amounts Available for Offset** [1]	**Net Amounts**
Derivative instrument assets	188	(187)	**1**
Derivative instrument liabilities	(219)	187	**(32)**

1. Amounts available for offset do not include cash collateral pledged or received.

As at December 31, 2023 *U.S.$ millions*	**Gross Derivative Instruments**	**Amounts Available for Offset** [1]	**Net Amounts**
Derivative instrument assets	527	(516)	**11**
Derivative instrument liabilities	(552)	516	**(36)**

1. Amounts available for offset do not include cash collateral pledged or received.

With respect to the derivative instruments presented above, the Company provided cash collateral of $66 million and letters of credit of $16 million at December 31, 2024 (2023 – $70 million and nil, respectively) to its counterparties. At December 31, 2024, the Company held $— cash collateral and $70 million in letters of credit (2023 – nil and $3 million, respectively) from counterparties on asset exposures.

Credit Risk-related Contingent Features of Derivative Instruments

Derivative contracts entered into to manage market risk often contain financial assurance provisions that allow parties to the contracts to manage credit risk. These provisions may require collateral to be provided if a credit risk-related contingent event occurs, such as a downgrade in South Bow's credit rating to non-investment grade. The Company may also need to provide collateral if the fair value of its derivative financial instruments exceeds pre-defined exposure limits. The Company has provided collateral for the derivative instruments with credit risk-related contingent features, recorded within other current assets on the consolidated balance sheets. At December 31, 2024 and 2023, there were no other derivative instruments that had credit risk-related features for which collateral was not provided.

Fair Value Hierarchy

The Company's financial assets and liabilities recorded at fair value have been categorized into three categories based on a fair value hierarchy.

Levels	**How Fair Value Has Been Determined**
Level I	Quoted prices in active markets for identical assets and liabilities that the Company has the ability to access at the measurement date. An active market is a market in which frequency and volume of transactions provides pricing information on an ongoing basis.
Level II	This category includes commodity derivatives where fair value is determined using the market approach. Inputs include yield curves and broker quotes from external data service providers.
Level III	This category includes long-dated transactions in certain markets where liquidity is low and the Company uses the most observable inputs available or alternatively long-term broker quotes or negotiated commodity prices that have been contracted for under similar terms in determining an appropriate estimate of these transactions. There is uncertainty caused by using unobservable market data which may not accurately reflect possible future changes in fair value.

The fair value of the Company's derivative assets and liabilities measured on a recurring basis, including both current and non-current portions, were categorized as follows:

U.S.$ millions	**Quoted Prices in Active Markets (Level I)**	**Significant Other Observable Inputs (Level II)** [1]	**Significant Unobservable Inputs (Level III)** [1]	**Total**
Derivative instrument assets	**184**	**4**	**—**	**188**
Derivative instrument liabilities	**(203)**	**(16)**	**—**	**(219)**
As at December 31, 2024	**(19)**	**(12)**	**—**	**(31)**
Derivative instrument assets	506	21	—	527
Derivative instrument liabilities	(527)	(25)	—	(552)
As at December 31, 2023	(21)	(4)	—	(25)

1. There were no transfers from Level II to Level III for the years ended December 31, 2024 and 2023.

Select Quarterly Financial & Operational Information

The following table presents selected quarterly financial and operational information over the last eight quarters:

U.S.$ millions, except per share, ratios and operational data	2024				2023			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	**488**	534	554	544	540	532	522	411
Income from equity investments	**12**	12	13	12	13	14	13	10
Income before income taxes	**72**	90	110	146	131	117	193	121
Normalized EBITDA [1]	**290**	262	241	298	278	297	263	236
Distributable cash flow [1, 4]	**183**							
Capital expenditures [3]	**28**	61	20	13	11	8	8	10
Net income	**55**	61	88	112	103	92	151	96
Weighted average common shares outstanding - diluted (millions)	**208.4**	207.6	207.6	207.6	207.6	207.6	207.6	207.6
Net income per share - diluted [2]	**0.26**	0.29	0.42	0.54	0.50	0.44	0.73	0.46
Normalized net income [1]	**112**	86	71	114	94	126	154	130
Normalized net income per share - diluted [1, 2]	**0.54**	0.41	0.34	0.55	0.45	0.61	0.74	0.63
Dividends declared	**104**							
Dividends declared per share [2]	**0.50**							
Total long-term debt	**5,716**	10,452	5,905	5,924	5,967	6,319	1,325	1,325
Net debt [1, 4]	**4,901**							
Net debt-to-normalized EBITDA [1]	**4.5**							
Operational Information								
Keystone throughput (Mbbl/d) [5]	**621**	616	623	643	612	596	595	576
U.S. Gulf Coast throughput (Mbbl/d) [5]	**784**	815	802	779	783	745	683	562
Marketlink throughput (Mbbl/d) [5]	**615**	636	622	582	610	595	520	420
Keystone System Operating Factor	**96%**	95%	94%	96%	92%	92%	94%	95%

1. Non-GAAP financial measure or ratio that does not have a standard meaning under GAAP. Refer to *Non-GAAP Financial Measures* of this MD&A for additional information. Periods prior to Spinoff on October 1, 2024 have previously been disclosed in Canadian dollars. Refer to *Basis of Presentation* of this MD&A for additional details.
2. Effective October 1, 2024, the Company completed the Spinoff into an independent publicly traded entity. Per share figures for comparative periods have been calculated using the outstanding shares at October 1, 2024.
3. Capital expenditures within investing activities in the consolidated statements of cash flows of the accompanying financial statements.
4. Distributable cash flow and net debt are non-GAAP measures used by the Company beginning on October 1, 2024 and therefore no figures have been presented for periods prior to Q4 2024 in the above table.
5. Reflects average daily volumes delivered on the Keystone Pipeline.

Fluctuations in quarterly revenues and earnings are and can be impacted by regulatory decisions, timing of newly constructed assets coming into service, acquisitions and divestitures, demand for uncommitted transportation services, marketing activities and commodity prices, developments outside of the normal course of operations, certain fair value adjustments, and foreign exchange rates. Over the last eight quarters, the Company's results have been impacted primarily by the following:

- Charges as a result of the FERC Initial Decision and FERC Order on Initial Decision. Refer to *Recent Developments* section of this MD&A for additional details.

- Preservation costs associated with the Keystone XL project over the last eight quarters, primarily incurred during 2023.
- Separation expenses related to the planning, execution, and completion of the spinoff of South Bow into an independent publicly listed entity. The associated costs were primarily recorded in 2024.

Fourth-quarter Review

The fourth quarter of 2024 was highlighted by the following events:

- The Company successfully completed the Spinoff transaction from its Former Parent.
- South Bow declared its inaugural dividend of $0.50 per share on November 7, 2024, paid to shareholders on January 31, 2025 to shareholders of record on December 31, 2024.
- Total Keystone Pipeline throughput was 621,000 bbl/d, an increase of 2,000 bbl/d from Q3 2024.
- Delivered normalized EBITDA of $290 million, an increase of $28 million from the third quarter of 2024 and an increase of $12 million from the fourth quarter of 2023.
- Fourth-quarter 2024 revenues were $488 million and income from equity investments was $12 million (fourth-quarter 2023 - $540 million and $13 million, respectively).
- Exited the period with net debt of $4,901 million and net debt-to-normalized EBITDA ratio of 4.5.

Select Annual Financial Information

The following table presents selected annual information for the last three years:

$ millions, except where noted	**2024**	**2023**	**2022**
Revenue	**2,120**	2,005	2,092
Net income	**316**	442	624
Net income per share (basic)	**1.52**	2.13	3.01
Net income per share (diluted)	**1.52**	2.13	3.00
Total assets	**11,329**	12,032	11,515
Total non-current liabilities	**6,958**	7,117	1,949
Dividends declared per share	**0.50**	—	—
Dividends payable	**104**	—	—

The Company's results are impacted by various factors including those noted in the *Select Quarterly Information* section.

Over the last three fiscal years, the Company's financial results have been impacted by various factors including, but not limited to, changes in market prices, fluctuations in foreign exchange, regulatory changes, new pipelines coming into service, and weather and other environmental events. Revenues have fluctuated due to changes in contracted volumes, uncommitted volumes, the Milepost 14 pipeline incident which occurred in 2022 and impacted volumes shipped, and changes in commodity prices and differentials. Net income has been impacted by changes in revenue as well as fluctuations in operating expenses, environmental cleanup efforts, litigation, asset impairments, gains and losses on asset sales, changes in long-term debt obligations, capital expenditures and capital projects, and costs incurred in anticipation and execution of the Spinoff.

Changes in non-current liabilities have primarily been impacted by changes in long-term debt balances. In preparation of the Spinoff in 2023, the Company's Former Parent completed an internal restructuring and issued long-term debt to the Company. In 2024, the Company completed its initial debt offering and repaid its long-term debt to affiliates of the Former Parent.

Parental Guarantees of Debt

On August 28, 2024, the Company completed its initial debt offering which included U.S. dollar-denominated Senior Notes and Junior Notes issued by certain subsidiaries of South Bow Corporation. The guarantees are full and unconditional, ensuring that payments to holders of the guaranteed securities are not adversely affected by the composition and relationships among the issuers, guarantors, and non-guarantor subsidiaries. The issuers and guarantors of the U.S. dollar-denominated Senior Notes and Junior Notes are summarized below:

	Issuer and Guarantors ("Obligor Group")
Senior unsecured notes	
Due September 2027 ($700 million, 4.91%) Due October 2029 ($1,000 million, 5.03%) Due October 2034 ($1,250 million, 5.58%) Due October 2054 ($700 million, 6.18%)	Issued by South Bow USA Infrastructure Holdings LLC (6297782 LLC) and guaranteed by South Bow Infrastructure Holdings Ltd. (15142083 Canada Ltd.), South Bow Canadian Infrastructure Holdings Ltd., and South Bow Corporation.
Junior subordinated notes	
Due February 2030 (C$450 million, 4.32%) Due February 2032 (C$500 million, 4.62%) Due February 2035 (C$500 million, 4.93%)	Issued South Bow Canadian Infrastructure Holdings Ltd. and guaranteed by South Bow Infrastructure Holdings Ltd. (15142083 Canada Ltd.), South Bow USA Infrastructure Holdings LLC (6297782 LLC), and South Bow Corporation.

The Senior Notes guarantees rank above all subordinated debts, including the Junior Notes, and are equal in payment priority with other non-subordinated debts. They are subordinated to secured debts to the extent of the value of the securing assets. Additionally, they are structurally subordinated to the debts and liabilities of subsidiaries that do not guarantee the Senior Notes. The indentures governing the Senior Notes limit South Bow's ability to i) create liens without equally and ratably securing the notes; and ii) engage in certain sale and leaseback transactions. Such indentures also limit South Bow's ability to consolidate, merge, or transfer all or substantially all its assets.

The Junior Notes guarantees are unsecured and rank below all senior debts, including Senior Notes. They are equal in payment priority with other specified unsecured subordinate debts and are structurally subordinated to the debts of subsidiaries that do not guarantee the Junior Notes. In the event of bankruptcy or insolvency, they rank above common and preferred shares in asset distribution.

The guarantees on the Senior Notes and Junior Notes do not limit the amount of senior indebtedness that South Bow may incur or the amount of other indebtedness or liabilities that South Bow or its subsidiaries may incur, and do not contain any financial or other similar restrictive covenants.

Summarized Financial Information of the Obligor Group

In accordance with Rule 3-10 of the SEC's Regulation S-X, South Bow has provided the following summarized information and disclosures in lieu of filing separate financial statements for each of the guarantors of the securities. The summarized financial information of the Obligor Group is presented on a combined basis and has eliminated intercompany balances and transactions between the entities in the Obligor Group. The summarized financial information excludes information of any subsidiaries who are not issuers or guarantors as well as income from equity method investments. South Bow's credit ratings are based on the consolidated financial statements and therefore the consolidated financial statements provide a more appropriate view of the Company's financial position. The summarized financial information of Obligor Group is below:

U.S.$ millions	**As at December 31, 2024**
Select asset information:	
Current assets	**426**
Receivables from non-obligor subsidiaries	**6**
Non-current assets	**207**
Non-current receivables from non-obligor subsidiaries	**2,137**
Select liability information:	
Current liabilities	**226**
Payables to non-obligor subsidiaries	**1,023**
Non-current liabilities, including guaranteed debt	**5,768**
Non-current liabilities to non-obligor subsidiaries	**4,137**

U.S.$ millions	**Year Ended December 31, 2024**
Revenues - external	**1**
Revenues from non-obligor subsidiaries	**5**
Operating loss of Obligor Group	**(452)**
Net loss of Obligor Group	**(446)**

Forward-looking Information

In order to help the reader understand management's assessment of our future plans and financial outlook and our future prospects overall, this MD&A includes certain statements and information which constitute forward-looking statements or forward-looking information (collectively, "forward-looking statements"). Forward-looking statements are typically identified by words such as "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "could", "would", "believe", "plan", "intend", "design", "target", "undertake", "view", "indicate", "maintain", "explore", "entail", "schedule", "objective", "strategy", "likely", "potential", "outlook", "aim", "purpose", "goal" and similar expressions suggesting future events or future performance.

In particular, forward-looking statements in this MD&A include information, including certain financial outlooks, about the following, among other things:

- our financial and operational performance;
- expectations about strategies and goals for growth and expansion and the methods South Bow expects to employ to implement such strategies;
- South Bow's financial outlook for 2025 and beyond, including 2025 normalized EBITDA, 2025 interest expenses, 2025 distributable cash flow and 2025 capital expenditures;
- expected dividends and other returns to shareholders;
- expected cash flows and future financing options available, including portfolio management;
- expectations regarding the size, timing, conditions and outcome of ongoing and future transactions;
- expected access to and cost of capital;
- expected costs and schedules for planned projects, including projects under construction such as the Blackrod Connection project, as well as the benefits and timing thereof;
- expected capital expenditures, contractual obligations, commitments and contingent liabilities, including environmental remediation costs;
- expected regulatory processes and outcomes;
- expected outcomes with respect to legal proceedings, including arbitration and insurance claims;
- the expected impact of future legal and accounting changes, including the impacts of tariffs; and
- expected industry, market and economic conditions, including their impact on us and on our customers and suppliers.

Forward-looking statements do not guarantee future performance. Actual events and results could be significantly different from those implied by forward-looking statements, including because of assumptions, risks or uncertainties related to our business or events that happen after the date of this MD&A.

Forward-looking statements are based on a number of different assumptions, predictions or projections and subject to a number of different risks, including the following key assumptions and subject to the following risks and uncertainties:

Assumptions

- realization of expected benefits from acquisitions, divestitures and the Spinoff;
- regulatory decisions and outcomes;
- planned and unplanned outages and the use of our pipelines;
- integrity and reliability of our assets;
- anticipated construction costs, schedules and completion dates;
- access to capital markets, including portfolio management;
- expected industry, market and economic conditions, including the impact of these on the Company and on our customers and suppliers;
- future operating costs being consistent with management's current expectations;
- the Company's ability to maintain current credit ratings;
- prevailing inflation rates, commodity and labour prices;
- prevailing interest, tax and foreign exchange rates; and
- nature and scope of hedging.

Risks and uncertainties

- failure to realize the expected benefits from acquisitions, divestitures and the Spinoff;
- our ability to successfully implement our strategic priorities and whether they will yield the expected benefits;
- our ability to implement a capital allocation strategy aligned with maximizing shareholder value;
- operating performance of our pipelines and storage assets;
- amount of capacity sold and rates achieved in our business;
- production levels within supply basins;
- construction and completion of capital projects;
- cost and availability of, and inflationary pressures on, labour, equipment and materials;
- availability and market prices of commodities;
- access to capital and insurance markets on competitive terms;
- interest, tax and foreign exchange rates;
- performance and credit risk of our counterparties;
- regulatory decisions and outcomes of legal proceedings, including arbitration and insurance claims;
- our ability to effectively anticipate and assess changes to government policies and regulations, including those related to the environment;
- our ability to realize the value of tangible assets and contractual recoveries;
- competition in the business in which we operate;
- unexpected or unusual weather;
- acts of civil disobedience;
- cyber security and technological developments;
- sustainability-related risks;
- impact of energy transition on our business ;
- economic conditions in North America as well as globally;
- global health crises, such as pandemics and epidemics, and the impacts related thereto;
- recovery of costs resulting from unexpected pollution or environmental events related to our operations; and
- the other factors discussed under "Risk Factors" herein and in the AIF, which is available at www.sedarplus.ca.

The foregoing lists should not be construed as exhaustive. As actual results could vary significantly from the results implied by forward-looking statements, you should not put undue reliance on forward-looking statements and should not use future-oriented information or financial outlooks for anything other than their intended purpose. We do not update our forward-looking statements due to new information or future events unless we are required to by law.

Management approved the financial outlooks contained in this MD&A, including 2025 normalized EBITDA, 2025 interest expenses, 2025 distributable cash flow and 2025 capital expenditures as of the date of this MD&A. The purpose of these financial outlooks is to inform readers about management's expectations for the Company's financial and operational results in 2025, and such information may not be appropriate for other purposes.

Glossary

Below are common abbreviations used within this MD&A:

bbl	barrel
bbl/d	barrels per day
Mbbl	thousand barrels
U.S.$ or USD	United States dollar
C$ or CAD	Canadian dollar
U.S. GAAP	United States Generally Accepted Accounting Principles
TSX	Toronto Stock Exchange
NYSE	New York Stock Exchange
FERC	Federal Energy Regulatory Commission
CER	Canada Energy Regulator
NAFTA	North American Free Trade Agreement
Milepost 14	Refers to pipeline incident in December 2022 involving the release of oil from the Keystone Pipeline into a creek in Washington County, Kansas. Discussed in *Recent Developments* section.
WCSB	Western Canadian Sedimentary Basin
PHMSA	Pipeline and Hazardous Materials Safety Administration
CAO	Corrective Action Order
ACAO	Amended Corrective Action Order
CWA	Clean Water Act
EPA	Environmental Protection Agency
RCFA	Root Cause Failure Analysis
DOJ	Department of Justice
CEO	Chief Executive Officer
CFO	Chief Financial Officer

Exhibit 99.4

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use of our report dated March 5, 2025 on the consolidated financial statements of South Bow Corporation (the "Company") which comprise the consolidated balance sheets as at December 31, 2024 and 2023, the related consolidated statements of income, comprehensive income, cash flows, and changes in shareholders' equity for each of the years in the two-year period ended December 31, 2024, and the related notes, which is included in the Annual Report on Form 40-F of the Company for the fiscal year ended December 31, 2024.

We also consent to the incorporation by reference of such report in the Registration Statement No. 333-282631 on Form S-8 of the Company.

/s/ KPMG LLP

Chartered Professional Accountants

March 5, 2025
Calgary, Canada

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.

Exhibit 99.5

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO RULE 13A-14(A) AND 15D-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Bevin Wirzba, certify that:

1. I have reviewed this annual report on Form 40-F of South Bow Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) [intentionally omitted pursuant to Rule 13a-14];

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 5, 2025

/s/ Bevin Wirzba

Bevin Wirzba
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 99.6

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO RULE 13A-14(A) AND 15D-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Van Dafoe, certify that:

1. I have reviewed this annual report on Form 40-F of South Bow Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) [intentionally omitted pursuant to Rule 13a-14];

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 5, 2025

/s/ Van Dafoe

Van Dafoe
Senior Vice-President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 99.7

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. 1350
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

I, Bevin Wirzba, the President and Chief Executive Officer of South Bow Corporation (the "Company"), in compliance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify, in connection with the Company's annual report on Form 40-F for the fiscal year ended December 31, 2024 with the Securities and Exchange Commission (the "Report"), that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 5, 2025

/s/ Bevin Wirzba

Bevin Wirzba

President and Chief Executive Officer

(Principal Executive Officer)

Exhibit 99.8

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO
18 U.S.C. 1350
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

I, Van Dafoe, the Senior Vice-President and Chief Financial Officer of South Bow Corporation (the "Company"), in compliance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify, in connection with the Company's annual report on Form 40-F for the fiscal year ended December 31, 2024 with the Securities and Exchange Commission (the "Report"), that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 5, 2025

/s/ Van Dafoe

Van Dafoe

Senior Vice-President and Chief Financial Officer

(Principal Financial Officer)

South Bow's Code of Business Ethics (COBE) Policy

Doing the right thing

SOUTHBOW

Message from Bevin Wirzba

South Bow is dedicated to doing the right thing as it safely and reliability delivers critical energy supplies for our customers and that North Americans rely on. For us, doing the right thing covers how we conduct ourselves and our business. Key to that is acting with humility, integrity and respect every single day. What's more, we believe listening to our employees, our customers and communities is paramount as we seek to always improve the way we operate and innovate.

South Bow's vision and values underpin our goals of protecting the environment and being good stewards of the communities where we operate. We believe earning the trust and respect of our stakeholders, rightsholders and the public is only possible by putting our values in action every day.

Our corporate values form the foundation of how we do business to deliver energy, and forge progress, together. Our Code of Business Ethics (COBE) demonstrates what ethical conduct looks like.

- We are safe.
- We do the right thing.
- We take pride in what we do.
- We win as a team.

We expect all South Bow team members to read, understand and comply with the principles and requirements set out in COBE and to complete annual COBE training and certification. We encourage our teams to refer to COBE to facilitate all decision-making when faced with ethical situations experienced at work. The policy includes clear guidelines, examples of expected behaviour a framework for asking questions, and resources to report concerns.

Our reputation as a company that safely and efficiently delivers needed energy will be measured by how well we live our values. Doing so positions us to be successful as a business and community member.

Bevin Wirzba
President & CEO

Our expectations and your responsibilities

The Code of Business Ethics (COBE) Policy reinforces South Bow Corporation's (the Company's or South Bow's) requirements and expectations for conducting business and behaviours, and provides guidance to ensure our daily activities and decisions appropriately reflect, and are consistent with, our corporate values:

We are safe.
We do the right thing.
We take pride in what we do.
We win as team.

Doing business ethically, fairly and responsibly is not just a concept at South Bow, it is a commitment we make every day.

The COBE Policy functions in conjunction with South Bow's other policies and applies to all Employees, directors, officers and Contingent Workforce Contractors (CWCs) of South Bow and its wholly-owned subsidiaries and/or operated entities in all countries in which South Bow conducts business. In addition, South Bow has a Contractor Code of Business Ethics (Contractor COBE) Policy that communicates the same requirements in the COBE Policy, as applicable.

You must understand these requirements and know how to meet South Bow's standards. We expect compliance with all applicable laws, regulations, policies and rules.

Have a question? We're here to help. If you are unsure of what standard you need to comply with, ask. Contact information is located in the Resources section of this document.

Failure to comply with the requirements set out in this document, or any South Bow policy, may lead to serious consequences and corrective action up to and including termination of employment or contract.

✓ **Look for this symbol throughout the COBE Policy to guide you to relevant policies.**

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Ethics Help Line
1-888-770-0018

SOUTHBOW

Living our values

We are safe.

We will...

- Integrate safety into every decision and action.
- Equip our people to achieve excellence in occupational and process safety.
- Earn the trust of our stakeholders by operating safely.

We do the right thing.

We will...

- Embrace humility and act with integrity.
- Listen to our Employees, our customers, and our communities and treat them with sincerity and respect.
- Protect the environment and be stewards of the communities where we operate.

We take pride in what we do.

We will...

- Exhibit passion for our business and its essential role in our lives.
- Operate with excellence, deliver extraordinary quality and exceed customer expectations.
- Ensure our priorities are guided by the enduring nature of our business.

We win as a team.

We will...

- Have an owner's mindset to grow our franchise corridor and responsibly deliver shareholder value.
- Empower our Employees to make quality decisions and own the outcomes.
- Operate our business on a foundation of trust, discipline, and sense of community.

Our Commitment

Strong governance, responsible management and committed leadership

We are committed to our strong safety culture and conducting business with a disciplined approach through the South Bow Management System. This management system applies to all work conducted on pipeline assets throughout the full asset lifecycle.

The South Bow Management System:

- Sets expectations for how we conduct our business, including expectations for leadership and management commitment, stakeholder engagement, emergency preparedness, qualification and training, and asset information management.
- Outlines a consistent and proactive approach to risk management and establishes threat management programs designed to protect people, property and the environment from harm.
- Creates a safe environment where individuals are encouraged to speak up if they become aware of or suspect a legal or ethical violation, and help prevent against retaliation for reporting
- Meets or exceeds all applicable laws and regulations and is aligned to industry standards
- Establishes processes for quality assurance, investigation, audit and performance monitoring, and continual improvement.

All Employees and Contractors are accountable for delivering on our commitments and must:

- Communicate and report risks, hazards, potential hazards, quality issues, incidents and near hits
- Communicate and uphold expectations concerning quality for our business processes, decisions and products
- Stop work when there are unsafe conditions
- Endeavor to do business only with companies and Contractors that share our values, and regularly assess and audit their performance.

South Bow expects and requires our Employees and Contractors to report all quality concerns, suspected violations of corporate governance documents, applicable laws and authorizations, as well as risks, hazards, potential hazards, incidents involving health and safety or the environment, and near hits. South Bow takes reports seriously and, where appropriate, investigates to identify facts, conduct a root-cause analysis and prevent reoccurrence. All Employees and Contractors making reports in good faith will be protected from retaliation.

Our values

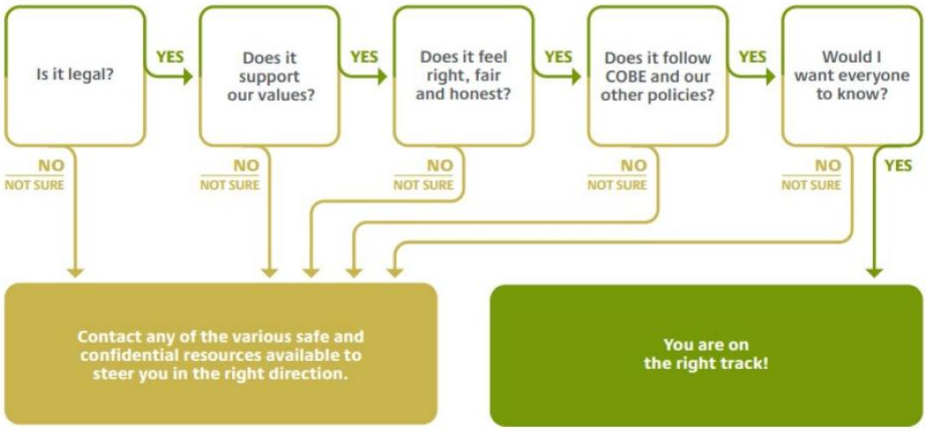
- Doing the right thing
- Reporting safety, legal and ethical violations
- Leader responsibilities
- South Bow's Life Saving Rules
- Being fit for work
- Human rights
- Diversity and employment equity and equal opportunity
- Harassment and violence-free workplace
- Protecting everyone from weapons in the workplace

Doing the right thing

At South Bow, doing the right thing isn't just words – it is a fundamental requirement to how we do business that all Team Members must carry out in everything we do. But what does it really mean to do the right thing? At a minimum, it means following the COBE Policy, including:

- We report health, safety and environment related hazards, potential hazards, incidents, near hits and unsafe acts
- We comply with the applicable legal requirements and policies that impact us in our daily work
- We report, through appropriate internal channels or the Ethics Help Line, any instances of actual or potential non-compliance with legal requirements or with our policies that we become aware of
- We do not retaliate against anyone for good-faith reporting
- We support others in making the right choices and doing the right thing

Even if we try our best to do the right thing, there are times when the right thing isn't completely clear. It's at those times that we need to ask ourselves some necessary questions. The below guide to doing the right thing is intended to help you identify the right path in those situations.



Reporting safety, legal and ethical violations

We report actual or potential non-compliances with our policies or our legal requirements, so they can be addressed appropriately. Retaliation for Good Faith Reporting is prohibited at South Bow and your confidentiality and identity will be protected to the greatest extent possible.

How do I report an issue or seek guidance?

You are required to report any actual or suspected violation of the law or COBE and all health, safety and environment related hazards, potential hazards, incidents, near hits and unsafe acts of which you may become aware. We take every report seriously and provide immunity from disciplinary action for Good Faith Reporting of incidents and issues.

Resources

To report an issue, or if you would like guidance on how to make the right choices and do the right thing in a particular situation, the following resources are available to you:

- Your leader
- Human Resources
- Your Compliance Coordinator
- Corporate Compliance
- Legal department
- Safety Team Members
- South Bow's Incident Management System

If you are uncomfortable speaking to any of these resources or if you would like to remain anonymous, you can contact the Ethics Help Line.

Ethics Help Line

1-888-770-0018

Leader responsibilities

South Bow's leaders are here to help us make the right choices and do the right thing together.

If you are a leader, in addition to acting in accordance with the principles set out in COBE, you are required to:

- Inspire Team Members to act ethically by setting an ethical tone within your team.
- Reinforce the importance of doing the right thing when carrying out corporate objectives (for example, profits and cost management) and support those who are unsure how to do the right thing in a particular situation.
- Set an example by modeling exemplary ethical business conduct.
- Create a safe environment where individuals are encouraged to speak up if they become aware of or suspect a legal or ethical violation, and help prevent against retaliation for reporting.
- Ensure that your team members understand and act in accordance with all legal and ethical requirements that impact them in their jobs, that they know how to report actual or potential non-compliance with the law or COBE or to ask questions regarding ethical or legal matters, and that they complete all required ethics and compliance-related training.
- Understand your obligation to act on any actual or suspected violations of COBE, any of our other policies, or the law that may be reported to you and the requirement for you to report these issues, as appropriate, to Corporate Compliance, Human Resources, or the Ethics Help Line.
- Engage with Human Resources, or Corporate Compliance to ensure violations of legal requirements or COBE by your direct reports are addressed appropriately (including appropriate corrective action).

The Board of Directors' Governance and Risk Committee is responsible for assisting the board with maintaining strong governance policies and practices at South Bow and recommends and reports to the board on corporate governance issues, principles and guidelines for review, discussion, approval, or other action by the board.

South Bow's Life Saving Rules

South Bow's Life Saving Rules guide the way we work and help us hold each other accountable to the highest possible safety standards.

South Bow's Life Saving Rules are:

- Drive safely and without distraction
- Use the appropriate personal protective equipment (PPE)
- Conduct a pre-job safety analysis (JSA)
- Work with a valid work permit when required
- Obtain authorization before entering a confined space
- Verify isolation before work begins
- Protect ourselves against a fall when working at heights
- Follow prescribed lift plans and techniques
- Control excavations and ground disturbances

Committing to South Bow's Life Saving Rules means meeting our goal of everyone going home safe from our offices, facilities and project sites, every day. Nothing is more important.

We report health, safety and environment related hazards, potential hazards, incidents, near hits and unsafe acts. We take every report seriously, investigate to identify facts and ensure immunity from disciplinary action for the Good Faith Reporting of all incidents and issues.

***QUESTION**: I'm working on a big project and it's very important to the Company that it be completed on-time and on-budget. I'm concerned that I might be injured if I rush my work, but I'm feeling a lot of pressure to do so. What should I do?*

***ANSWER:** You should never compromise your or anyone else's safety. If someone is pressuring you to do so, you should report the issue.*

Being fit for work

Given the nature of South Bow's business, it is essential that all Team Members be fit to perform their jobs.

We do not compromise our ability to do our jobs or the safety of others through the use of intoxicants, including alcohol, drugs or medications, whether they are legal or not.

The use of alcohol or drugs can impair your judgment and productivity and can lead to serious accidents and health and safety concerns – not only for yourself, but also for your coworkers and the public. South Bow takes a zero-tolerance approach toward the use of alcohol, drugs and intoxication while working. Not being fit for work due to the use of alcohol, drugs or other intoxicants will result in serious consequences including being removed from our site(s) and subject to appropriate corrective action, up to and including termination of employment or contract.

- ✓ **Alcohol and Drug Policy**

What does being fit for work mean?

Fit for work means being able to safely and acceptably perform your assigned duties without any limitations due to the use or after-effects of any intoxicants. This can include limitations due to legally-obtained medications (prescription and over the counter) which have the potential to change or adversely affect the way a person thinks, feels, or acts.

Fit for work also means being able to safely and acceptably perform your assigned duties without limitations due to fatigue.

Human rights

South Bow does not tolerate human rights abuses. In our business activities, including engaging with Indigenous groups and stakeholders across Canada and the United States, we are committed to respecting human rights. We will not be complicit with, nor engage in, any business activity that supports or facilitates abuse of human rights.

South Bow considers the International Bill of Human Rights, which consists of the Universal Declaration of Human Rights, and the core International Labour Organization (ILO) Conventions when adopting human rights best practices. This enables the Company to comply with all applicable international standards, federal, provincial, state, and local laws, rules, regulations, orders, and ordinances, including, without limitation, environmental protection, energy, health and safety, and labor laws and regulations, as well as applicable industry codes and standards.

We stand firmly against the use of forced labour, including child labour, prison labour, bonded labour, military labour, modern forms of slavery, human trafficking and any form of physical or mental abuse within our business and operations, including the Contractors we do business with. South Bow monitors and assesses its Contractors for compliance with human rights requirements, and may terminate business relationships in the event violations are confirmed.

In addition to South Bow complying with applicable legislated compensation standards, such as minimum wage, wage payment, maximum work hours, mandatory holidays, progressive remuneration in case of overtime and benefits laws, we are committed to providing a fair living wage for all Employees. Employment of individuals below the minimum age permitted by local law is strictly prohibited.

Respect for human rights is covered in South Bow's annual online Code of Business Ethics training and certification, as well as other related training, as required. Additional mandatory online training includes, but is not limited to, the following courses:

- Health and Safety Core training
- Inclusion and Unconscious Bias training
- Privacy and Protecting Personal Information training
- Respectful Workplace training

Diversity, employment equity and equal opportunity

South Bow believes that our differences make us stronger and encourages a culture of diversity, inclusion and respect. We prohibit any form of discrimination and require reasonable accommodation of differences. We expect Team Members to create and reinforce an inclusive, creative and productive work environment in which everyone is accepted and respected.

Harassment and violence-free workplace

Everyone deserves to do their job in a safe, respectful, and inclusive workplace, without fear of harassment or violence.

You must always be respectful to our Employees and Contractors and be sensitive to the way in which others may react to your behaviours, comments, gestures or contacts. Always try to resolve differences in a calm and respectful manner, without resorting to insults, threats or violence.

South Bow prohibits any behaviour, including displaying any statements, messages, or images (e.g., on clothing, stickers on hard hats, decals on vehicles, etc.), that is:

- Intimidating
- Hostile
- Offensive
- Threatening
- Violent
- Demeaning or humiliating
- Of a sexual nature
- Creating an inappropriate work environment

South Bow will take allegations of harassment and violence seriously and address them promptly in a respectful, fair and thorough manner by trained investigators. If required, South Bow will take appropriate corrective action, up to and including termination of employment or contract.

South Bow requires you to be tolerant, inclusive and to demonstrate respect for others.

South Bow requires that we treat one another with dignity and respect, and we are committed to maintaining an inclusive and respectful work environment that is free of harassment and violence.

- ✓ **Equal Employment Opportunity and Non-Discrimination Policy**
- ✓ **Harassment-Free Workplace Policy Canada – U.S.**
- ✓ **Reasonable Workplace Accommodation Policy**

In particular, you must never take actions or make unwanted comments or gestures or discriminate against anyone on the basis of:

- Gender
- Race
- National or ethnic origin
- Colour
- Disability
- Religion
- Age
- Sexual orientation
- Gender identity
- Marital status
- Family status
- Veteran status
- National Guard or reserve unit obligations
- A criminal conviction which has been pardoned or for which a pardon has been granted
- Or any other legally protected grounds

Protecting everyone from weapons in the workplace

Unless otherwise prohibited by law, we prohibit the possession, use, carrying and transportation of any dangerous or potentially dangerous weapons, as defined by South Bow's Weapons in the Workplace Policy, when conducting Company business:

- On or off all Company owned or controlled premises
- In all Company vehicles (whether owned, leased or rented)
- In all personal vehicles being used while conducting Company business

For individuals in jurisdictions that permit firearms to be kept in personal vehicles, the vehicle must be locked, firearms must be hidden from plain view and be kept within a locked case or container within the vehicle. Any and all jurisdictional requirements must be met.

✓ **Weapons in the Workplace Policy**

Individuals who are licensed to carry firearms (openly or in a concealed manner) are not exempt from our Policy.

Ethical business conduct

- Avoiding conflicts of interest
- Personal Relationships
- Outside business activities and outside directorships
- Other potential conflicts of interest
- Gifts, invitations and entertainment
- Engaging Government Officials
- Political contributions and lobbying
- International trade
- Insider trading
- Complying with regulatory requirements
- Inter-affiliate interactions
- Competing fairly
- Accounting, financial reporting and fraud prevention
- Preventing money laundering and terrorist financing

Avoiding conflicts of interest

We must act in the best interests of South Bow, avoiding any situation that could place us in a conflict of interest, or create the perception of a conflict of interest. If, and when, a conflict of interest arises, you are required to report the conflict in a timely manner so it can be appropriately investigated and addressed.

You should never make or influence business decisions on behalf of South Bow based on personal relationships, bias or the potential for personal gain.

Some examples of conflict of interest can include, but are not limited to:

- Gifts, invitations and entertainment
- Outside business activities
- Corporate opportunities
- Directorships or other board positions outside of South Bow
- Director independence
- Personal Relationships
- Intimate Relationships

✓ **Conflict of Interest and Integrity Policy**

We do the right thing – always. At South Bow, this is part of who we are and how we do business, every day.

What is a conflict of interest?
Conflict of interest means a situation in which Team Members have private interests that could conflict with their ability to act in good faith and the best interests of the Company, or where they may improperly benefit from knowledge acquired at the Company which is not available to the general public.

Personal Relationships

Team Members who have a Personal Relationship within the Company must not be in a direct or indirect reporting relationship with each other. In particular, the Company prohibits all Intimate Relationships between individuals in a direct or indirect reporting relationship.

If Team Members are not certain whether a Personal Relationship within the Company is permissible, they should immediately discuss their situation with their South Bow leader or Human Resources.

Outside business activities and outside directorships

Team Members must not engage in outside business activities (e.g., as a consultant, employee, or director) or Advisory Relationships that could conflict with, or be perceived to conflict with, or are detrimental to the interests of South Bow, and which may include:

- Owning, controlling or directing a material financial interest (greater than one per cent) in a competitor, or in a vendor, supplier, customer or other business which does or seeks to do business with South Bow
- Advising or being involved in a business that competes with South Bow or that does or seeks to do business with South Bow
- Outside business activities that interfere with Team Members' day-to-day responsibilities at South Bow
- An outside business activity that requires Team Members to violate their confidentiality or other obligations to South Bow

South Bow Team Members who have a Family Relationship with a supplier or potential supplier to the Company must ensure that they are not involved in the selection process or in directing or influencing the work of the supplier to whom they are related.

In cases where the spouse, common law partner, or other family member of Team Members owns, controls, or directs a material financial interest in any of the outside business activities, that Team Members must contact the **Corporate Compliance** department for guidance.

Team Members must declare all outside business activities and Advisory Relationships that could conflict with or be perceived to conflict with the interests of South Bow to the **Corporate Compliance** department for guidance. Any outside business activities must be conducted outside of South Bow work hours since your time and attention during South Bow work hours is expected to be directly related to your employment with South Bow.

Team Members must declare all Outside Directorship positions on a board (e.g., board chair, treasurer, secretary, member, etc.) to the **Corporate Secretarial** group for review and approval, prior to accepting the position or upon joining the Company.

Other potential conflicts of interest

Corporate opportunities

Team Members must not take personal advantage of a business opportunity that you discover through the use of Company assets, property, information or your position with South Bow, or use Company assets, property, information or your position with South Bow for personal gain or to compete with South Bow.

Political office, appointments to boards or tribunals

Team Members may not serve in a political office or on an administrative board or tribunal, if that office, board or tribunal has or may have decision-making authority in respect of any aspect of South Bow's business (such as the approval of projects or the issuing of permits).

Executive leadership team - other business activities

In addition to the conditions set out in the outside business activities and outside directorships section above, prior to serving in any capacity in an unaffiliated organization, the Chief Executive Officer and any member of the Executive Leadership Team must obtain the consent of the Chair of the Governance and Risk Committee.

Directors' independence

To maintain their independence and to ensure that no relationships exist that may violate applicable corporate, securities and competition laws, all members of the Board of Directors of South Bow must have their independence assessed:

- Annually
- In the event of a material change in their respective primary employment status
- When they wish to join another board of directors, whether private or public

All candidates to South Bow's Board of Directors must declare to the Corporate Secretarial group any material interest that they may have in a contract or transaction.

All members of the South Bow Board of Directors who have any material interest in a contract or transaction must recuse themselves from related deliberations and approval.

Gifts, invitations and entertainment

Local customs with respect to providing gifts and other benefits can change depending on where we are doing business; however, these local customs must never compromise, or appear to compromise, our ability to act legally, ethically and objectively.

While giving gifts can help to build and maintain strong business relationships, they can also be seen to improperly influence decisions depending on the nature and context of the gift.

We must always be prudent in offering gifts, entertainment or anything of value to anyone or any organization that is a competitor, or that South Bow does or seeks to do business with, or that South Bow requires consent or approval from (e.g., a government authority).

Corruption in business and government prevents fair and open competition based on merit and it can have a negative impact for both the Company and the individual. To mitigate these negative impacts, we must all comply with South Bow's Avoiding Bribery and Corruption Policy, Gift, Meals, Entertainment and Travel for Government Officials Standard, and Gifts and Entertainment Policy.

Accepting gifts, invitations and entertainment

Accepting gifts or invitations from anyone or any organization can affect the way South Bow is perceived and can run counter to our business objectives and values. We all have an obligation to conduct ourselves in a fair and impartial fashion in all business dealings with anyone or any organization.

Careful consideration must be taken when offered a gift or an invitation to an event. Please see the Gifts and Entertainment Policy for more information.

- ✓ **Avoiding Bribery and Corruption Policy**
- ✓ **Gifts and Entertainment Policy**
- ✓ **Gift, Meals, Entertainment and Travel for Government Officials Standard**

Engaging Government Officials

Engaging with Government Officials is an important part of South Bow's business, and during those engagements, expenses for Government Officials may be incurred. You should never provide Government Officials with bribes, payments, kickbacks, gifts or anything else of value for the purpose of improperly influencing their actions or decisions in South Bow's favour. These benefits can include entertainment, private parties, charitable contributions or employment opportunities.

Even if there is no intent to influence, you should not provide a payment or benefit to any third party if it could appear to be improper.

- ✓ **Avoiding Bribery and Corruption Policy**
- ✓ **Gifts and Entertainment Policy**
- ✓ **Community Investment Standard**
- ✓ **Gift, Meals, Entertainment and Travel for Government Officials Standard**

We are prohibited from offering, paying, promising or authorizing a compensation, payment or benefit to any Government Official, directly or indirectly, to secure any contract, concession or other improper advantage for South Bow. Such action is prohibited even if the intent is not to influence a Government Official(s), as it could appear to be improper.

Many anti-corruption laws allow reasonable gifts or entertainment for Government Officials in limited circumstances. Only gifts, meals, and entertainment that are reasonable, do not influence business decisions and are not otherwise prohibited may be offered. All gifts, meals or entertainment must be provided in accordance with local laws and regulations, be appropriately recorded in South Bow's books and records, and follow the appropriate approval processes and thresholds as set out in South Bow's Gift, Meals, Entertainment and Travel for Government Officials Standard.

Political contributions and lobbying

South Bow respects the political process and only makes political contributions and engages in lobbying activities that are legal and transparent.

Legal requirements concerning political contributions and lobbying are aimed at preventing corruption in government and at ensuring the proper functioning of the political system. These legal requirements can be complex and vary by jurisdiction (we are not allowed to make political donations at all in some jurisdictions). You must seek approval from the External Relations department before engaging in these activities on behalf of South Bow.

QUESTION: *I am very politically active. Is that allowed?*

ANSWER: *South Bow encourages you to participate in the political process as an individual, in accordance with your own political views and the laws and regulations governing this activity. In doing so, however, you may not use South Bow's name, nor indicate that you represent South Bow, unless you have been authorized to do so.*

- ✓ **Political Contributions and Activities Policy**

International trade

When engaging in international business and procuring products from the global marketplace, South Bow complies with all applicable international trade laws, as well as all customs and taxation requirements. International trade laws prohibit or restrict trade with certain countries that are subject to embargoes or sanctions, as well as with certain individuals and organizations (e.g., entities that have ties to actual or suspected terrorists or drug traffickers). These laws also prohibit or restrict imports and exports of certain types of goods, information and technologies and often impose stringent reporting obligations.

✓ **Customs and Trade Policy**

Prior to engaging in any transaction, you must ensure:

- **that it is legally permitted**
- **that all applicable licensing requirements and reporting and customs obligations are met**

And consider:

- **the types and use of the goods, information or technology**
- **the counterparty with which you are dealing**
- **the country in which the counterparty is located**

Even if South Bow does not have ownership of a product we have purchased when it crosses a border (e.g., because we take ownership, or title, on delivery), we may nevertheless be responsible for import and/or export compliance based on certain terms of the purchase contract. It is important to ensure the contract does not contain terms that result in South Bow inadvertently taking on these obligations.

Insider trading

We engage only in transactions that have a legitimate business purpose, and we do not interfere with the normal functioning of the markets in which we operate and transact. We also report transactions in accordance with all legal requirements.

Through the course of your work with South Bow, you may have access to non-public information regarding South Bow, our customers, Contractors and other business partners.

You must always maintain the confidentiality of any non-public information encountered through the course of business with South Bow. To the extent non-public information that you are aware of could be material to a decision to buy or sell shares in South Bow or another company:

- You and your immediate family members must not trade South Bow shares or other securities based on that information
- You must not share material non-public information with another person, except as necessary in the course of business, as outlined in the Public Disclosure Policy.

✓ **Public Disclosure and Trading Policy**

We conduct business in a way that promotes a fair, efficient and openly competitive operation of markets we participate in and which complies with market manipulation laws.

QUESTION: *I own units of a mutual fund that invests in shares of one of our suppliers. Is that a problem?*

ANSWER: *Your ownership of mutual fund units is likely not a problem. If your investment in the supplier is through a mutual fund, you would need to ensure that you do not own more than one per cent of the stock of the supplier; however, because of the indirect nature of the investment, it is also less of a concern than if you owned the shares directly.*

Insider trading is a serious offence and can have significant reputational and legal impacts. For Securities and Insider trading inquiries contact the Corporate Secretarial group.

Complying with regulatory requirements

South Bow is committed to meeting our obligations under all regulations and tariffs.

As a regulated company, South Bow is subject to many regulatory requirements, including those of the Canada Energy Regulator (CER), and the Federal Energy Regulatory Commission (FERC), among others. In addition, South Bow's transmission providers are subject to tariffs that we must comply with.

Although it is impossible to list all of these requirements here, you must ensure you are familiar with the specific requirements applicable to you in your job. These can include reporting requirements and compliance with technical or other standards.

To the extent the requirements of more than one jurisdiction apply, you must comply with the highest of the various standards.

Inter-affiliate interactions

As a transmission provider, South Bow is subject to the Interstate Commerce Act (ICA) and the rules and regulations of the Federal Energy Regulatory Commission in the U.S.; along with the Canadian Energy Regulator Act in Canada (collectively, the "Inter-Affiliate Rules"). These Inter- Affiliate Rules are intended to ensure that our non-regulated affiliates do not receive an unfair advantage over other customers, whether as a result of discriminatory treatment or the improper sharing of information, Team Members or resources. The Inter-Affiliate Rules also prohibit cross-subsidization at the expense of our transmission customers.

In order to ensure compliance with the Inter-Affiliate Rules, you must observe the following rules in your day-to-day activities:

All customers must be treated equally

Regulated transmission providers cannot give undue preference to any customer, whether affiliated with a South Bow entity or not.

Independent functioning

Regulated Team Members must function independently of non-regulated Team Members (e.g., they cannot perform the same jobs).

No conduit of information

Regulated and shared Team Members must not share, or act as a conduit for the sharing of regulated information* with non-regulated Team Members.

Pay fair share

Non-regulated entities must pay their fair share of any costs incurred by our regulated transmission providers, so as not to burden our transmission customers with costs our non-regulated entities benefit from.

Reporting violations

Any violations of the Inter-Affiliate Rules must be reported to the Corporate Compliance department, since South Bow may be legally required to either publicly post such information on its web site or report it to our regulators.

**Regulated information (which may not be shared with non-regulated Team Members or affiliates) includes commercial, financial, strategic, planning, operational and customer information of our transmission providers.*

✓ **South Bow Inter-Affiliate Rules**

Competing fairly

A competitive marketplace in the energy and transmission services that South Bow provides helps ensure fair prices and customer choice and, in turn, results in the industry as a whole providing more effective and better service. We believe in vigorous, fair competition and comply with all laws designed to protect the ability of companies to compete freely.

You should never enter into agreements to:

- Fix prices
- Decrease capacity or volume available to customers
- Allocate customers or markets among competitors
- Boycott certain customers or Contractors

You need to be very careful whenever you have contact with competitors (whether in trade association meetings, at conferences, through participation in benchmarking groups or in negotiating or otherwise dealing with actual or potential joint venture partners who are also South Bow competitors) to avoid sharing competitively sensitive information. You must never enter into an agreement to reduce competition, or that is likely to have that effect.

QUESTION: *While at a trade association meeting recently, a few competitors I was sitting with at dinner started talking about their pricing. I knew it wasn't appropriate, so I didn't say anything. Did I do the right thing?*

ANSWER: *While you were right not to participate in the discussion, when in such a situation, it's a good idea to take the further step of making clear to everyone that the discussion is inappropriate and that you will not participate. If the inappropriate discussion continues, you should excuse yourself from the situation. You should also document what happened and report the matter. This will help to protect you and South Bow in case anyone ever points to the fact that you were part of a group in which an inappropriate discussion took place.*

Accounting, financial reporting and fraud prevention

South Bow ensures that our accounting, financial records and reporting are fair, accurate, understandable and complete, and we do not falsify financial documents or records, or misstate or misrepresent the nature of costs or expenditures.

You must ensure all transactions that you engage in, or that you approve, whether under a South Bow contract or as an individual business expense, are true and reported accurately, completely and in compliance with all applicable accounting and legal requirements. You must also follow South Bow's corporate policies and other requirements respecting the transaction (for example, obtaining of approvals).

You must never engage in "off-the-record" or other transactions or accounts that do not fully and accurately state the nature and amount of specific transactions.

You must also never falsify any invoice, expenditure, time sheet or other document related to Company cost or revenue. Doing so constitutes fraud and may result in appropriate corrective action, up to and including termination of employment or contract.

- ✓ **Avoiding Bribery and Corruption Policy**
- ✓ **Business Expense Policy**

South Bow's Business Expense Policy

The Business Expense Policy outlines proper management of low cost and low risk expenses incurred while conducting business on South Bow's behalf and sets expectations regarding Employee use of the corporate credit card for such expenses.

These expectations include a prohibition on splitting transactions to circumvent credit card limits or incurring costs for other Employees. If there is more than one Employee from the same business unit included in the expense, the most senior Employee present must always incur the expense.

Preventing money laundering and terrorist financing

We expect all our Team Members to be vigilant in ensuring the payments we make and the methods of payment we use are legitimate and legal.

Legal requirements concerning money laundering and terrorist financing are in place to deter criminal and terrorist activities of those with whom we might do business.

To ensure compliance with these legal requirements you must:

- Exercise care before agreeing to do business with a third-party, including ensuring that they were reviewed as part of Supply Chain's qualification process
- Ensure the third-party is legitimate and reputable
- Recognize and report any suspicious payments or transactions

Ignoring the signs that a transaction or payment initiated by a third party is not legitimate can result in South Bow being found complicit in any illegal activity that may be associated with the transaction, even if the Company did not expressly authorize it or even know about it.

Examples of suspicious payments or transactions include:

- Any request by a third-party to have a payment deposited into a personal account rather than a business account
- Transactions with entities other than those involved in the underlying contract or business deal
- Payments or other transactions involving a country other than that in which the parties to the contract or business deal are located

Payments of cash, unusual financing arrangements, fictitious invoices or other efforts by a third party to conceal the true purpose of a payment or transaction also raise concerns.

Communication

- Being socially responsible
- Being a good ambassador of South Bow
- Social media and communication with the public
- Public disclosure of information
- Dealing fairly with customers, Contractors and other stakeholders
- Dealing fairly with competitors

Being socially responsible

South Bow is committed to being a good neighbour and supporting and enhancing the communities in which we live and work.

Important communities our business impacts are Indigenous communities. We are committed to working with these communities, to develop positive, long-term relationships based on mutual trust and respect, and recognizing their diversity and the importance they place on the land, their culture and their traditional way of life.

In addition to working with Indigenous communities, we also work hard to build and maintain relationships with landowners. We recognize the importance of farming to their communities, and actively support farming-related organizations.

South Bow understands the importance that community, charitable and similar non-governmental organizations play in making the communities in which we live and work better places. We actively support these organizations and encourage our Team Members to become involved by volunteering and contributing to charitable and other community-based organizations, including during work hours if approved by your leader.

- ✓ **Indigenous Relations Policy**

Being a good ambassador of South Bow

We recognize that we are ambassadors of South Bow and as ambassadors we act as owners. We conduct ourselves in a manner that is respectful and appropriate, and that will enhance South Bow's reputation.

You must always keep in mind that you are a representative of South Bow. The things you say and do should reflect the Company's core values. You should not speak publicly on behalf of South Bow unless authorized to do so. Any posting or statement on an external website, including personal sites or in other media, should be considered a public statement.

Even on your personal time, you must not participate in any illegal or inappropriate statements or activities that could be detrimental to the Company or its reputation.

- ✓ **Communications Policy**

Social media and communications with the public

In the age of social media, it is easy to broadly and publicly communicate information. You need to be particularly aware of your obligations and our expectations when it comes to the disclosure of Company information and ensuring it is in accordance with legal and internal requirements.

When sharing information on social media, keep the following requirements in mind:

- Do not speak on behalf of, or giving the impression that you are speaking on behalf of, South Bow unless you have been authorized to do so
- Never falsely represent yourself
- Do not post anything that reflects negatively on South Bow and ensure posts are not discriminatory, offensive, or in poor taste
- Share only approved South Bow content, add value to the conversation, and be accurate
- Do not post pictures of South Bow's facilities or operations unless you are authorized to do so

Public disclosure of information

South Bow ensures that public statements regarding the Company are provided in a timely manner, are fair, accurate and complete, comply with legal requirements and corporate policies, and preserve and protect our reputation and brand.

South Bow has prescribed Team Members who are authorized to speak on our behalf. If you receive an inquiry for information or comment, you should direct it to the appropriate Company representative for response.

If you are not sure who the appropriate company representative is to respond, please direct the inquiry to our media line.

- ✓ **Communications Policy**

Use of company name for personal gain

You must never use the Company's name or purchasing power or your employment status to obtain personal discounts or rebates from Contractors unless those discounts or rebates are available to all Employees.

Dealing fairly with customers, Contractors and other stakeholders

We consider the impact of our actions on stakeholders, rightsholders, the environment and the communities in which we operate. We follow the requirements of our policies, procedures and commitments to make sure we act responsibly to protect us, our co-workers, our workplace and assets and the communities we work in. We act as responsible stewards of the environment and manage risk, share knowledge and best practices to ensure continual improvement.

You should never make business decisions on behalf of South Bow based on personal relationships, unfair bias or the potential for personal gain.

We are fair and honest in our dealings with customers, Contractors and other stakeholders and we honour our obligations and commitments to them.

Treating customers, Contractors and other stakeholders fairly requires that you:

- Enter into business relationships based on merit
- Use objective criteria to evaluate them, such as:
  - Price
  - Quality
  - Service

It also requires that you are honest and forthright when dealing with others (never omitting important facts, manipulating another person or situation, or misrepresenting yourself or South Bow), and that you honour South Bow's contractual, regulatory and other commitments.

Dealing fairly with competitors

You must ensure that you use only legitimate means (such as searches of public information) to obtain competitive intelligence.

You must never use deceit or misrepresent yourself to obtain such information, and you should never take advantage of information you receive in error, for example:

- Emails or faxes received in error
- Physical documents left in a meeting room or in a public place or which have been sent to you in error
- Information you overheard

Assets and information

- Protecting confidential information
- Protecting personal information
- Managing and maintaining the security of information
- Protecting and respecting intellectual property rights
- Use and protection of South Bow assets

Protecting confidential information

We protect South Bow's confidential information, and that of our customers, Contractors and other stakeholders, from improper disclosure and use.

We all have access to confidential information. South Bow confidential information includes all South Bow non-public information that may be of use to competitors or harmful to South Bow or its customers, Contractors or other stakeholders, if disclosed.

Confidential information can include:

- Information regarding South Bow's business, operations, finances, strategies, business plans, or projects
- Proposed mergers, acquisitions and divestitures
- Engineering designs and reports
- Legal proceedings, contracts
- Environmental reports
- Land and lease information
- Technical and economic data
- Marketing information and field notes
- Sketches and photographs
- Electronic information assets (including emails, voicemails, and text messages)
- Computer records or software, specifications, models
- Other information which is or may be either applicable to or related in any way to the assets, business or affairs of South Bow

Confidential information about South Bow's projects and operations, such as project delays, costs or outage timing and the resulting system capacity impacts can influence the decisions of our customers and other participants in energy markets. Such information must be disclosed through our typical communication protocols.

Because such information is commercially sensitive and can be used by competitors or others to South Bow's detriment, it must be protected. You must not disclose such information to anyone who does not need to know the information for legitimate business purposes (including within South Bow).

All confidential information should be protected from unauthorized access. When disposing of confidential information, you should do so in a secure manner, which may include shredding of hard copies.

See additional information in the Use and Protection of South Bow's Assets and the Managing and Maintaining the Security of Information sections.

- ✓ **Information Management Policy**
- ✓ **Cybersecurity Policy**
- ✓ **Records Retention Schedule**

Protecting personal information

South Bow takes seriously the fact that its Employees, Contractors, customers and other stakeholders have entrusted the Company with their personal information.

Some examples of personal information include an individual's name, home address, telephone number, identification numbers (such as an Employee number or social insurance/social security number), financial information, and medical information.

You should never collect, store, access, use, or disclose personal information for an inappropriate purpose or by inappropriate or illegal means. Use of personal information must be limited to the business purposes for which the information was provided. To the extent that you have personal information of any individual as a result of your work with South Bow, whether the individual is an Employee, Contractor, landowner or a shareholder (to name just a few examples), you may not disclose that personal information to others, nor may you use it for a purpose other than that for which it was collected, either within or outside South Bow, without the express approval of South Bow's Privacy Officer or the individual's written consent.

If you are ever unsure if information can be disclosed or used for a new purpose, check with South Bow's Privacy Office before taking any action.

For more information, please see the Protection of Personal Information Policy.

South Bow is committed to protecting personal information in compliance with all legal requirements and requires that our Contractors share this commitment to information security.

- ✓ **Protection of Personal Information Policy**

You should also protect and safeguard personal information from inappropriate access by keeping it in a locked cabinet, or in a password protected or otherwise restricted folder, memory stick or other similar storage device, if the information is electronic.

Managing and maintaining the security of information

Company records are valuable assets of South Bow and you must ensure appropriate and reasonable efforts are made to manage, protect and preserve these assets.

All of these information assets are important Company records that South Bow may be required to produce in the event of a legal or regulatory proceeding, audit or investigation. It is important that you manage and retain these assets in accordance with all legal requirements and South Bow's corporate policies. In particular, you must never destroy an information asset in the event of a legal hold or an actual or pending legal or regulatory proceeding.

- ✓ **Information Management Policy**
- ✓ **Cybersecurity Policy**

What are information assets?

- Memos
- Emails
- Accounting records
- Invoices and contracts
- Technical drawings
- Recordings of trade-related phone calls
- Records of safety or other incidents
- Marketing literature
- Other similar types of records

What form can an information asset take?

An information asset can take any form or on any media, including:

- Paper
- CD
- DVD
- Voice or video recordings
- Text and instant messages
- Other electronic formats

Protecting and respecting intellectual property rights

We preserve South Bow's intellectual property rights and respect and honour those of third parties.

Intellectual property can include trade secrets, which is any information that gives the owner an economic advantage over its competitors and that the owner takes reasonable steps to keep confidential, as well as copyrights, trademarks and patents, and also includes inventions, innovations, discoveries and copyrighted material developed while employed by South Bow.

We must take steps to protect intellectual property rights. This includes keeping trade secrets confidential, consistently using South Bow's trademarks solely as authorized, and respecting the intellectual property rights of third parties.

South Bow respects and honours intellectual property rights by:

- Complying with the terms of license agreements that South Bow has entered into with Contractors
- Complying with copyright legislation
- Not using improper means to obtain third-party information or trade secrets
- Using confidential third-party information only for the purpose for which it was provided

Use and protection of South Bow's assets

South Bow assets that you have access to for the completion of your duties must be protected and only used for legitimate business purposes.

You have an obligation to be a good steward of the assets that South Bow provides to you in the course of your work and you must protect these assets from loss, theft, damage and misuse.

Additionally, using Company facilities, equipment and/or Company time to work on your personal assets, for personal activities or to store personal assets is not allowed.

Limited personal use of Company assets such as accessing Internet or printing is acceptable provided that it does not interfere with your job duties. South Bow regularly monitors Company internet use, and individuals should not assume any right of privacy with respect to either their use of or data stored on South Bow's computer systems. Any misuse of Company assets or services, including inappropriate use of South Bow's computer equipment and systems, may lead to serious consequences including appropriate corrective action up to and including termination of employment or contract.

- ✓ **Acceptable Use Policy**
- ✓ **Corporate Security Policy**

QUESTION: *I sometimes use my Company computer to access Facebook or Twitter during my lunch break and I post about my personal life. Is that allowed?*

ANSWER: *Limited personal use of Company assets to access social media during a break is acceptable; however, you need to keep in mind that you are using a Company computer and accessing the Internet through a South Bow IP address., You must ensure that you do not post content that is inappropriate or could reflect poorly on South Bow. The Company regularly monitors the use of its equipment and systems and you should not expect your personal use of South Bow assets to be private. Any inappropriate or offensive use of Company assets by Team Members may result in disciplinary action.*

What are Company assets?

Company assets can include:

- Company time
- Equipment
- Facilities
- Furniture
- Computers
- Telephones
- Supplies
- Tools
- Personal protective equipment
- Corporate credit cards
- Other resources

What can Company assets NOT be used for?

Company assets must not be used for:

- Engaging in hate-based activities
- Downloading illegal material
- Viewing inappropriate content
- Other inappropriate uses

SOUTHBOW

Have a question? We're here to help

- Your responsibility and non-retaliation
- Asking questions and reporting concerns

Your responsibility

Team Members must follow all applicable provisions and the spirit and intent of this corporate governance document and support others in doing so. Team Members must promptly report any suspected or actual violation of this corporate governance document through available channels so that South Bow can investigate and address it appropriately. Team Members who violate this corporate governance document or knowingly permit others under their supervision to violate it, may be subject to appropriate corrective action, up to and including termination of employment or contract, as applicable, in accordance with the Company's corporate governance documents, employment practices, contracts, collective bargaining agreements and processes.

Interpretation and administration

The Company has sole discretion to interpret, administer and apply this corporate governance document and to change it at any time to address new or changed legal requirements or business circumstances.

Non-retaliation

South Bow supports and encourages Employees and Contractors to report suspected violations of corporate governance documents, applicable laws, regulations, and authorizations, as well as hazards, potential hazards, incidents involving health and safety or the environment, and near hits. Such reports can be made through available channels. South Bow takes every report seriously and investigates it to identify facts and, when warranted, makes improvements to our corporate governance documents and practices. All Employees and Contractors making reports in good faith will be protected from retaliation, and all Employees and Contractors must report if they or someone they know is being or has been retaliated against for reporting. Good Faith Reporting will not protect Employees and Contractors who make intentionally false or malicious reports, or who seek to exempt their own negligence or willful misconduct by the act of making a report.

Asking questions and reporting concerns

You are required to report in a timely manner any actual or potential non-compliance with COBE, any other South Bow policies, or any legal obligation, as it applies to you or the Company, so it can be appropriately investigated and addressed. You can do so with confidence that your confidentiality and identity will be protected to the greatest extent possible and that retaliation for good faith reporting is prohibited.

Ethics Help Line

Although South Bow has various reporting resources available for Team Members to report a concern or to seek guidance, there may be times when you are not comfortable raising concerns through those resources.

South Bow's Ethics Help Line is operated by an independent third-party service provider and reporting through the Ethics Help Line is confidential and may be done anonymously.

Ethics Help Line
1-888-770-0018

All calls to the Ethics Help Line are free of charge, and can be made 24 hours a day, seven days a week, 365 days a year.

You may use the Ethics Help Line either to report any actual or suspected issues or to ask questions on topics such as:

- Accounting irregularities
- Alcohol and drug abuse
- Conflicts of interest
- Employee concerns
- Employment practices
- Engineering concerns
- Environment concerns
- Equitable treatment
- Harassment
- Human rights
- Safety
- Theft and fraud
- Workplace violence
- Other improprieties

If the issue raises an immediate threat to safety or security, you should contact Corporate Security, local police, or other emergency services as appropriate.

All reports are taken seriously

Regardless of the means used to report, your report will be taken seriously and it will be investigated and addressed appropriately. If you are reporting through the Ethics Help Line, please make note of your key code for your case file since the investigator may contact you through your case file for further information or clarification prior to initiating an investigation.

Participation in investigations and audits

Team Members, including directors and officers are required to participate in investigations and audits if, and as, requested.

QUESTION: *I suspect one of my colleagues has violated part of COBE, but I'm not sure my suspicions are correct. I'm concerned I'll be labeled a tattle-tale (or worse) if I report it. What should I do?*

ANSWER: *If you suspect misconduct, you should report it in a timely manner so it can be investigated. If it turns out not to be an issue, there will be no harm done. However, violations of the law or COBE that are not reported, cannot be addressed, and that can seriously undermine the Company. If that happens, we all suffer. If you report the issue, your confidentiality and identity will be protected to the greatest extent possible and if any retaliation is found to occur, it will be taken very seriously.*

Glossary

Advisory Relationship means a relationship where one provides advice, counsel, suggestions, recommendations, intelligence, guidance or any other similar types of information or opinion.

Contingent Workforce Contractor (CWC) means an individual who:

- is employed by a third party to work on behalf of South Bow;
- uses South Bow's assets (e.g., workstation, email, phone) and corporate services;
- is compensated on an hourly or daily rate basis; and
- works under the direction of a South Bow leader.

Contractor means a third party hired by South Bow to perform services for or supply equipment, materials, or goods to the Company. Contractors include, without limitation, Contingent Workforce Contractors and Excluded Contractors.

Employee means full-time, part-time, temporary and student employees of South Bow.
Excluded Contractor means a third party or individual employed by a third party who:

- delivers services, equipment, materials, or goods to the Company using their own tools and assets (e.g., work station, laptop, email, phone, PPE, vehicle);
- does not increase South Bow corporate headcount and overhead costs;
- does not use South Bow's assets and corporate services; and
- directs their own work or receives direction from their employer.

Family Relationship means relatedness or connection by blood, marriage or adoption and includes, but is not limited to:

- a marriage/common law spouse;
- parent and grandparent;
- child and grandchild;
- sibling;
- aunt and uncle;
- niece and nephew;
- first cousin; and
- any "step", "common law", or "in law" variations of the above relationships.

Good Faith Reporting means an open, honest, fair and reasonable reporting without malice or ulterior motive.

Government Officials means any appointed, elected, or honorary official or any employee of a government, of a government owned or controlled company, or of a public or international organization. This definition encompasses officials in all branches and at all levels of government: federal, state/provincial or local. This definition also includes political parties and party officials and candidates for political office. Indigenous officials may also be considered Government Officials. A person does not cease to be a Government Official by claiming to act in a private capacity or by the fact that he/she serves without compensation.

Examples of Government Officials relevant to South Bow's business include:

- government ministers and their staff;
- members of legislative bodies or other elected officials;
- officials or employees of government departments;
- employees of regulatory agencies;
- judges and judicial officials;
- employees of state-owned oil companies, or other government-owned or controlled corporations;
- customs, immigration, tax, and police personnel; and
- employees of public international organizations, such as the United Nations or World Bank.

Intimate Relationship means any romantic and/or dating and/or sexual relationship, including casual encounters.

Personal Relationship means all Family Relationships and Intimate Relationships and any other personal relationship that is sufficiently close to create a real or perceived conflict of interest.

Team Members means full-time, part-time and temporary Employees and Contingent Workforce Contractors of South Bow.

South Bow or the **Company** means South Bow Corporation and its wholly-owned subsidiaries and/or operated entities.