

**KINDER MORGAN CANADA LIMITED
CHARTER OF THE
AUDIT COMMITTEE**

I. Purpose

The Audit Committee (“**Committee**”) is appointed by the board of directors (the “**Board**”) of Kinder Morgan Canada Limited (the “**Company**”) to assist the Board in fulfilling its oversight responsibilities. The Committee’s primary purpose is to:

- monitor the integrity of the Company’s financial statements, financial reporting processes, systems of internal controls regarding finance, accounting and legal compliance and disclosure controls and procedures;
- monitor the Company’s compliance with legal and regulatory requirements;
- subject to the rights of shareholders and applicable law, recommend for appointment, engage, oversee, retain, compensate and evaluate the Company’s external auditors, pre-approve all audit and non-audit services to be provided, consistent with all applicable laws, to the Company by the Company’s external auditors, and establish the fees and other compensation to be paid to the external auditors;
- monitor and evaluate the qualifications, independence and performance of the Company’s external auditors and internal auditing function; and
- establish procedures for the receipt, retention, response to and treatment of complaints, including confidential, anonymous submissions by the Company’s employees, regarding accounting, internal controls, disclosure or auditing matters, and provide an avenue of communication among the external auditors, management, the internal auditing function and the Board.

References in this Audit Committee Charter (“**Charter**”) to management or employees of the Company, or groups or functions of the Company (such as the risk management group) include all employees of Kinder Morgan Canada Inc. (“**KMCI**”) or any of its affiliates performing services for the Company pursuant to the terms of the services agreement among the Company, KMCI, Kinder Morgan Canada GP Inc. and Kinder Morgan Canada Limited Partnership.

II. Membership

1. The Committee will be comprised of at least three members of the Board, each of whom must meet the independence criteria set forth in National Instrument 52-110 — *Audit Committees* (“**NI 52-110**”) at all times during his or her tenure on the Committee. The Board must unanimously determine that nominees for the Committee meet the applicable independence requirements before it places such nominees on the Committee.

2. All members should possess “financial literacy” (as such term is defined in NI 52-110), or acquire such literacy within a reasonable period of time after joining the Committee.
3. No director will be appointed to the Committee who is currently serving on the audit committees of two or more other public companies unless the Board determines that such simultaneous service would not impair the ability of such member to serve on the Committee and such determination is disclosed in the Company’s subsequent management proxy circular.
4. The members of the Committee and the Committee Chair will be appointed by the Board, generally at or prior to the regularly scheduled first quarter meeting of the Board, to serve for an annual term and until their successors shall be duly appointed. The Chair will be available, capable, qualified and competent in dealing with financial and related issues. Any member of the Committee or the Chair may resign or, subject to the Company’s by-laws, be removed by the Board from membership on the Committee or as the Chair. The Committee shall not have alternate members. When a vacancy occurs at any time in the membership of the Committee, that vacancy may be filled by the Board.

III. Meetings

The Committee shall meet at least four times annually, usually in conjunction with the Board’s regularly scheduled Board meetings, or more frequently as circumstances dictate. The Committee may request any officer or employee of the Company or the Company’s counsel or other advisors or consultants to attend a meeting of the Committee or to meet with any member of or advisor to the Committee. Unless otherwise requested by the Chair of the Committee or a majority of the members of the Committee, the external auditors and internal auditors shall attend every meeting of the Committee. The Committee has had and will continue to have regular, direct and confidential access to the Company’s external auditors and internal auditors. In preparing the agenda for each Committee meeting, the Chair shall solicit input on the agenda items for the meeting from the other directors, as well as the Company’s external auditors and other relevant members of management of the Company.

IV. Responsibilities

The Committee’s responsibility is oversight, and it and the Board recognize that management is responsible for the preparation, presentation and integrity of the Company’s financial statements. Management and the internal auditors are responsible for maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures that provide for compliance with accounting standards and applicable laws and regulations. The external auditors are responsible for planning and carrying out a proper audit of the Company’s annual financial statements, reviews of the Company’s quarterly financial statements, and other procedures. It is not the Committee’s responsibility to certify the Company’s financial statements or to guarantee the external auditor’s report. It is recognized that the members of the Committee are not full-time employees of the Company and, while each member of the Committee should possess financial literacy or acquire financial literacy within a reasonable period of time after joining the Committee, the members of the Committee are not, and do not hold themselves out to be, accountants or auditors by present profession or certified

experts in the field of accounting, auditing or auditor independence. It is also the responsibility of management to assure compliance with laws and regulations and the Company's policies with oversight by the Committee in the areas covered by this Charter.

In this regard, the following functions are expected to be the common recurring activities of the Committee in carrying out its oversight function. These functions are set forth as a guide with the understanding that the Committee may diverge from this guide as appropriate under any particular set of circumstances.

Financial Reporting

The Committee will:

1. Review with management and the external auditors any issues relating to the Company's financial statements and the results of the audit thereof. Prior to the filing of any audit required under the securities laws, the auditor shall report to the Committee (a) all critical accounting policies and practices to be used; (b) all alternative treatments within generally accepted accounting principles for policies and practices related to material items that have been discussed with management; (c) the ramifications of the use of such alternative disclosures and treatments; (d) the treatment preferred by the external auditor; (e) other material written communications between the external auditor and management, such as any management letter or schedule of unadjusted differences; and (f) any other reports required to be delivered by the external auditors to the Committee.
2. Review management's disposition of proposed significant audit adjustments as identified by the external auditors.
3. Inquire into whether the statements and disclosures fairly present, in all material respects, the financial condition and results of operations of the Company by requesting explanations from management and from the internal and external auditors on whether:
 - generally accepted accounting principles have been consistently applied;
 - there are any significant or unusual events or transactions;
 - the Company's financial and operating controls are appropriately designed and functioning effectively;
 - the Company's disclosure controls are appropriately designed and functioning effectively; and
 - the Company's financial statements contain adequate and appropriate disclosures.
4. Review with the external auditors their views as to the quality of the Company's accounting principles and financial reporting practices.

5. Review and discuss with management, the external auditors and internal auditors, as appropriate, (a) material issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and material issues as to the adequacy of the Company's internal controls and any special steps adopted in light of material control deficiencies; (b) analyses prepared by management and/or the external auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative generally accepted accounting principles methods on the financial statements; (c) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, if any, on the financial statements of the Company; and (d) the type and presentation of information to be included in earnings press releases (paying particular attention to any use of "pro forma," or "adjusted" non-GAAP, information), as well as financial information and earnings guidance provided to analysts and rating agencies.
6. Meet to review and discuss with management and the external auditors all financial statements and financial disclosure, and approve (in the case of the Company's quarterly financial statements, to the extent delegated by the Board) or recommend to the Board for approval, as applicable, the Company's quarterly and annual financial statements, including the notes thereto, and the related management's discussion and analysis and earnings press release, in each case prior to their release to the public.
7. Review with the Chief Executive Officer and Chief Financial Officer the processes undertaken by them to satisfy the requirements for certification relating to the Company's quarterly and annual reports to be filed with securities regulators, to confirm that the information required to be disclosed is recorded, processed, summarized and reported within the time periods specified for the reporting period. Obtain assurances from the Chief Executive Officer and Chief Financial Officer as to the adequacy and effectiveness of the Company's disclosure controls and procedures and systems of internal control over financial reporting and that any fraud or illegal acts involving any employees or officers is reported to the Committee.
8. Discuss with management earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies. The Committee's responsibility to discuss earnings releases, financial information and earnings guidance may be done generally (i.e., discussion of the types of information to be disclosed and the type of presentation to be made). The Committee is not required to discuss in advance each earnings release or instance in which the Company may provide earnings guidance. If it is not otherwise practicable for the entire Committee to discuss financial information and earnings guidance provided to analysts and rating agencies, such discussion may be performed by the Chair of the Committee.

9. Review and discuss with management the disclosure of financial information, including the use of “pro forma” or non-GAAP financial information and earnings guidance, contained in any press releases or filings filed with the securities regulators (or provided to analysts or rating agencies). Consideration should be given as to whether the information is consistent with the information contained in the financial statements of the Company. Such review and discussion should occur before public disclosure and may be done generally (consisting of discussing the types of information to be disclosed and the types of presentations to be made). The Committee shall periodically assess the adequacy of such review.
10. Review and discuss management’s process for the use in financial statements and earnings releases of financial parameters that are non-GAAP measures.

Internal Control

The Committee will:

1. Review and discuss with management, as well as internal and external auditors, the Company’s policies and procedures related to financial risk assessment and risk management, including the Company’s material financial risk exposures, the steps management has taken to monitor and control such exposures and the adequacy of the Company’s overall control environment and controls in areas representing significant financial risk. It is the responsibility of management to assess and manage the Company’s exposure to risk, but the Committee will discuss guidelines and policies to govern the process by which risk assessment and management is undertaken.
2. At each regularly scheduled meeting of the Committee, request that the internal and external auditors present to and discuss with the Committee any significant findings and recommendations they have made but not previously presented. To the extent practicable, the internal and external auditors shall appraise the Chair of the Committee of any such findings or recommendations prior to the time an agenda for such meeting is provided to the Committee. If either the internal or external auditors believe that any such finding or recommendation should be brought to the attention of the Committee prior to its next regularly scheduled meeting, they shall promptly appraise the Chair of the Committee thereof and if appropriate the Chair shall call a special meeting of the Committee.
3. Gain an understanding of whether internal control recommendations made by internal and external auditors have been implemented by management.
4. Inquire as to the extent to which internal and external auditors review computer systems and applications and the security of such systems and applications.

Internal Audit

1. The Committee will review as often as it deems necessary but at least annually:

- the annual audit plan, activities and organizational structure of the internal audit function;
 - the qualifications of the internal audit function and, when necessary, participate in the appointment, replacement, reassignment, or dismissal of the director of internal audit; and
 - the effectiveness of the internal audit function.
2. The Committee will review periodically as it deems appropriate the reports prepared by the internal audit staff and management's responses to such reports.
 3. The Committee will review and discuss with the external auditor the responsibilities, budget and staffing of the Company's internal audit function.
 4. If the Company outsources all or a portion of its internal audit function:
 - The Company's external auditors may not provide any of the internal audit function while they serve as external auditors, and for one full audit cycle after the termination of their engagement as external auditors.
 - The Committee cannot engage an accounting firm to perform internal audit services for the Company if the Chief Executive Officer, Controller, Chief Financial Officer, Vice President, Finance or any person in an equivalent position was employed by such accounting firm and participated in any capacity in the internal audit of the Company within one year preceding the initiation of the internal audit.
 - The Committee will, at least annually, use its reasonable efforts to obtain and review a report from the accounting firm providing outsourced internal auditor services addressing: (a) the accounting firm's internal quality-control procedures; and (b) any material issues raised by the most recent internal quality-control review, or peer review, of the accounting firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the accounting firm and any steps taken to deal with such issues.

External Audit

1. The Committee will review:
 - the external auditors' proposed audit scope and approach; and
 - the performance of the external auditors.
2. Subject to the rights of shareholders and applicable law, the Committee will have the direct responsibility for and the sole authority to recommend for appointment, engage, oversee, retain, compensate and evaluate the Company's external

auditors, including the resolution of any disagreements between management and the Company's external auditors regarding financial reporting. The Committee, or the Chair or other members of the Committee delegated such authority by the Committee, must pre-approve all audit services to be provided to the Company by the Company's external auditors. The external auditors will report directly to the Committee. The Company will provide appropriate funding (as determined by the Committee) for payment of compensation to the Company's external auditors. The Committee will recommend to the Board that the selection of external auditors be ratified and approved by the shareholders of the Company.

3. The Committee, or the Chair or other members of the Committee delegated such authority by the Committee, has the sole authority to and must approve in advance any non-audit services performed by the Company's external auditors, including tax services. The decisions of any member or members of the Committee to whom authority has been delegated pursuant to the first sentence of this paragraph to approve in advance non-audit services will be presented to the Committee at its next meeting.
4. The lead (or coordinating) audit partner associated with the Company's external auditors will be reviewed and evaluated by the Committee at least annually and the lead (or coordinating) audit partner and the reviewing (or concurring) audit partner must be changed in accordance with any applicable legal or professional requirements. In its review of the external auditor and the lead partner, the Committee shall consider the opinions of management and the Company's internal auditors. In addition to the rotation of audit partners, the Committee will consider whether there should be a rotation of the audit firm itself to assure continuing auditor independence.
5. The Committee cannot engage external auditors to perform audit services for the Company if the Company's Chief Executive Officer, Chief Financial Officer, Vice President, Finance or any person in an equivalent position for the Company was employed by such external auditors and participated in any capacity in the audit of the Company within one year preceding the initiation of the audit.
6. The Committee will, at least annually, use its reasonable efforts to obtain and review a report from the external auditors addressing: (a) the auditors' internal quality-control procedures; (b) any material issues raised by the most recent internal quality-control review, or peer review, of the external auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the external auditors and any steps taken to deal with such issues; (c) the independence of the external auditors, including a delineation of all relationships between the auditor and the Company; (d) each non-audit service provided to the Company; (e) the aggregate fees billed for each of the previous two fiscal years for each of (i) professional services rendered for the audit of the Company's financial statements and review of the Company's quarterly financial statements or services that are normally provided by the accountant in connection with

statutory or regulatory filings or engagements for those fiscal years; (ii) assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not included in clause (i); (iii) professional services for tax compliance, tax advice, and tax planning; and products and services other than those in clauses (i), (ii) or (iii); and (f) if greater than 50%, the percentage of the hours expended on the most recent audit that were attributable to persons other than the external auditor's full-time, permanent employees. The Committee shall discuss such report with the auditor, and shall actively engage in a dialogue with the auditor with respect to any disclosed discussion of any relationships or services with or for the Company that may impact the auditor's objectivity and independence.

7. The Committee will regularly review with the external auditor any problems or difficulties the auditor encountered in the course of the audit work, including any restrictions on the scope of the external auditor's activities or on access to requested information, and any significant disagreements with management. The Committee will also review with the external auditor any accounting adjustments that were noted or proposed by the auditor but were "passed" (as immaterial or otherwise); any communications between the external audit team and the external audit firm's national office respecting auditing or accounting issues posed by the engagement; and any "management" or "internal control" letter issued, or proposed to be issued, by the external auditor to the Company. The Committee will also review with the external auditor management's responses to any of these matters.

Other Responsibilities

The Committee will:

1. Meet at least quarterly with the external auditors, director of internal audit, and management in separate executive sessions to discuss any matters that the Committee or these groups believe should be discussed privately.
2. Maintain minutes of meetings and update the Board about significant Committee activities and make appropriate recommendations, as often as the Board or Committee deems appropriate. The Committee will review with the Board any significant issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the external auditors, or the performance of the Company's internal auditors and internal audit function.
3. Annually review and assess the continuing adequacy of this Charter and the performance of the Committee and, if appropriate, recommend changes for the approval of the Board.

4. Prepare a report to shareholders to be included in the Company's periodic disclosure if required by applicable law.
5. Oversee, review and approve changes to policies for the hiring by the Company of present or former employees of the Company's external auditors.
6. When required by the Company's Code of Business Conduct and Ethics (the "**Code of Ethics**") or when requested by the Board, approve related party transactions by a vote of the disinterested members of the Committee.
7. Perform any other activities consistent with this Charter, the Mandate of the Board (the "**Board Mandate**"), the Company's certificate of incorporation and by-laws and applicable law, as the Committee or the Board deems necessary, appropriate or desirable.
8. As appropriate, obtain advice and assistance from outside legal, accounting or other advisors.

V. **Ethical and Legal Compliance**

The Committee will:

1. Review and assess at least annually the Code of Ethics, recommend changes in the Code of Ethics as conditions warrant and confirm that management has established a system to monitor compliance with the Code of Ethics by officers and relevant employees of the Company.
2. Review management's monitoring of the Company's compliance with the Code of Ethics, and evaluate whether management has systems in place designed to maximize the likelihood that the Company's financial statements, reports and other financial information disseminated to governmental organizations and the public satisfy applicable legal requirements.
3. Review, with the Company's counsel, legal compliance matters including securities trading policies.
4. Review, with the Company's counsel, any legal matter that could have a significant impact on the Company's financial statements.
5. Oversee, review and approve changes to procedures for (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

VI. Power to Engage Advisors

As provided in Board Mandate, the Committee has the sole authority, without further authorization of the Board and at the Company's expense, to retain (and terminate as necessary) and compensate any accounting, legal or other firm of experts to advise the Committee as it deems necessary or appropriate. The Committee shall have sole authority to approve any such firm's fees and other retention terms. The Company shall at all times make adequate provision for the payment of all fees and other compensation, approved by the Committee, to any such firm employed by the Committee.

VII. Procedures

The Committee shall conduct its operations in accordance with any applicable procedures set forth in the Company's by-laws applicable to the operations of the Board and its committees, and in accordance with this Charter and the relevant provisions of the Board Mandate. The Committee shall have the authority to adopt such additional procedures for the conduct of its business as are not inconsistent with those referred to in the preceding sentence. When this Charter provides that any particular action take place at or in connection with a particular quarterly meeting, such action may be taken at an earlier or later time, in the discretion of the Committee. The Committee shall have no authority to delegate its responsibilities specified in this Charter to any subcommittee, except for pre-approval of audit and non-audit services as provided under "External Audit". The Committee will report, through the Committee Chair, to the Board following meetings of the Committee on matters considered by the Committee and its activities.

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