

**KINDER MORGAN CANADA LIMITED
MANDATE OF THE BOARD OF DIRECTORS**

The following mandate (the “**Mandate**”) established by the board of directors (the “**Board**”) of Kinder Morgan Canada Limited (the “**Company**”) provides a structure within which directors and management can effectively pursue the Company’s objectives.

I. Objectives Sought to be Achieved by this Mandate

This Mandate has been adopted by the Board with a view to promoting:

- Transparency in reporting the Company’s financial condition and results of operations, its business activities and other information about the Company, its management and its Board to regulatory authorities, the Company’s shareholders and the Company’s other constituencies;
- Compliance with not only the literal requirements but also the Board’s perception of the intended purposes of applicable laws, rules and regulations; and
- Institutional behavior that conforms to governance standards that exceed the consensus view of minimum acceptable corporate governance standards.

II. Composition of the Board of Directors and Majority Voting Requirements

It is the policy of the Board that the Board will reflect the following characteristics:

- Each director shall be a person of integrity who is dedicated, industrious, honest, candid, fair and discreet;
- Each director shall be knowledgeable, or willing to become so quickly, in the critical aspects of the Company’s business and operations;
- Each director shall be experienced and skillful in serving as a member of, overseer of, or trusted advisor to, the senior management or board of at least one substantial corporation, charity, institution or other enterprise; and
- The Board shall encompass a range of talent, skill and expertise sufficient to provide sound and prudent guidance with respect to the full scope of the Company’s operations and interests.

Prospective candidates for director may be suggested to the Board by any director or by such other sources as the Board may choose. The Board will also consider persons suggested by shareholders prospective candidates for director. The Board may adopt policies and procedures with respect to the manner in which shareholders may make such suggestions, including requirements that must be satisfied by the shareholder and suggested nominee before the suggestion will be considered by the Board. Appropriate candidates shall be interviewed by the Chair of the Board or any other director who wishes to do so and nominees shall be recommended by the Chair of the Board to the full Board for its consideration.

Forms of proxy for the vote at shareholders’ meetings where directors are to be elected will enable shareholders to vote “for”, or to “withhold” from voting, separately for each nominee. Other than in the case of a contested election, a nominee must receive more votes cast “for” than “withhold” his or her election or re-election in order to be elected or re-elected to the Board. If, in the case of an uncontested election, a director receives a greater number of votes “withheld” from his or her election than votes “for” his or her election, that director shall tender his or her resignation for consideration by the Board promptly following confirmation of the shareholder vote. Following receipt of such resignation, the Board will promptly consider the tendered resignation and will determine whether to accept or reject the director’s resignation within 90 days following the date of the shareholders’ meeting at which the election occurred. The Board shall accept the resignation except in exceptional circumstances.

Promptly following the Board's decision, the Company will disclose that decision, including an explanation of the process by which the decision was reached and, if applicable, the reasons for rejecting the tendered resignation, in a press release which press release will also be provided to the Toronto Stock Exchange.

Any director who is required to tender his or her resignation pursuant to the above majority voting requirements will not participate in the Board's consideration of whether to accept or reject the tendered resignation or in any Board meeting relating to the acceptance or rejection of such recommendation. In the event that any director does not tender his or her resignation in accordance with these majority voting requirements shall not be nominated for re-election and shall not be entitled to any benefits (financial or otherwise) as a director or past director of the Company.

III. Functions of the Board of Directors

The business and affairs of the Company shall be managed by or under the direction of the Board, and the Company shall have such officers with such duties as determined by the Board. The Board will consider all major decisions of the Company. However, the Board may delegate certain of its powers and authorities that the directors, or independent directors, as applicable, deem necessary or desirable to effect the efficient administration of the duties of the Board. Under the services agreement (the "**Services Agreement**") among the Company, Kinder Morgan Canada Inc. ("**KMCI**"), Kinder Morgan Canada GP Inc. (the "**General Partner**"), and Kinder Morgan Canada Limited Partnership (the "**Limited Partnership**"), KMCI will provide services with respect to certain aspects of the management, operation and administration of the business and affairs of the Company, the General Partner and the Limited Partnership (and each entity that they control from time to time, collectively, the "**Business**"). References in this Mandate to management or employees of the Company, include all employees of KMCI or any of its affiliates performing services for the Business pursuant to the terms of the Services Agreement. In addition, the Company has entered into a cooperation agreement with Kinder Morgan, Inc. ("**Kinder Morgan**"), KM Canada Terminals ULC, Kinder Morgan Canada Company, the General Partner and the Limited Partnership (the "**Cooperation Agreement**") which provides for, among other things, certain matters relating to the relationships among Kinder Morgan, Inc. the Company, the General Partner, the Limited Partnership and the holders of partnership units in the Limited Partnership.

In accordance with the Company's by-laws and subject to the direction of the Board, management will manage the business and affairs of the Company in a manner consistent with the standards set forth in this Mandate, and, where applicable, in accordance with the terms of the Services Agreement, the terms of the Cooperation Agreement and any specific plans, instructions or directions of the Board. In addition to its regular responsibilities to report to and to seek Board approvals when appropriate, subject to the Services Agreement and the Cooperation Agreement, management shall seek the advice and, in appropriate situations, the approval of the Board with respect to extraordinary actions to be undertaken by the Company.

At its regularly scheduled meetings during each year, the Board will review and discuss reports by management on the performance of the Business, its plans and prospects, as well as immediate and longer-term issues facing the Business. In addition to its general oversight of the Company and the matters set out in the Company's by-laws, the responsibilities of the Board and its standing committees shall, subject to the terms of the Services Agreement and the Cooperation Agreement, include:

- monitoring the actions of management, including the performance and achievement of strategic plans and objectives of the Company, including reviewing the operating results of the Company and of the Business, no less than quarterly;
- reviewing and approving the Company's significant financial objectives, plans, and actions;
- reviewing and approving material transactions of the Company not in the ordinary course of business, including significant capital allocations and expenditures;
- promoting ethical behavior and compliance with laws and regulations, auditing and accounting principles, and the Company's own organizational documents;

- taking reasonable steps to identify the principal risks of the Company’s business and to review and assess the systems put in place to manage such risks;
- recommending the appointment of an auditor to the shareholders and fixing the remuneration of the auditor if not fixed by the shareholders;
- reviewing, approving and periodically revising, as appropriate, this Mandate and the charters of the Board’s various standing committees;
- assessing the Board’s own effectiveness in fulfilling these and other Board and committee responsibilities; and
- performing such other functions as are prescribed by law, assigned to the Board in the Company’s organizational documents, or set forth in this Mandate.

In all cases, the following matters will be considered by the Board as a whole and not delegated:

- submitting to the shareholders any question or matter requiring approval of the shareholders;
- filling a vacancy among the directors or in the office of auditor or appointing additional directors;
- issuing securities, except in the manner and on the terms authorized by the directors;
- declaring dividends;
- purchasing, redeeming or otherwise acquiring shares issued by the Company, except in the manner and on the terms authorized by the directors;
- paying a commission to any person in consideration of that person purchasing or agreeing to purchase shares of the Company from the Company or from any other person, or procuring or agreeing to procure purchasers for shares of the Company;
- approving any required management proxy circulars;
- approving any required annual financial statements; or
- adopting, amending or repealing the by-laws of the Company.

IV. Director Independence

The Board shall have such number of “independent” (as such term is defined by National Instrument 58-101 — *Corporate Governance Guidelines* (“**NI 58-101**”)) directors as required by applicable law. Directors who do not meet the independence standards of NI 58-101 may nevertheless make valuable contributions to the Board and to the Company by reason of their experience and wisdom, and the Company expects to have some directors who are members of management or who otherwise are not independent.

The Board will affirmatively determine annually, generally at the regularly scheduled first quarter meeting of the Board, based on a consideration of all relevant facts and circumstances, whether each director is “independent”. In making this determination, the Board will affirmatively determine whether each director has any direct or indirect material relationship with the Company. If a director is determined to have such a relationship, he or she cannot be considered independent.

Directors have an affirmative obligation to inform the Board of all material information regarding their circumstances or relationships that may impact their characterization by the Board as “independent” or that may give rise to an actual or perceived conflict of interest, including responding promptly to questionnaires circulated by

or on behalf of the Chair of the Board or the Company that are designed to elicit relevant information regarding business and other relationships. This obligation includes all business relationships among directors or between directors and the Company and its affiliates or members of senior management and their affiliates.

In the event that the Board does not have an independent Chair of the Board, it will appoint a Lead Director and develop a procedure for the independent directors to function independently of management and, where necessary, Kinder Morgan. The Board will have a fixed *in camera* agenda item for each Board and committee meeting, during which independent directors, under the direction of the Lead Director or committee chair, may meet without any members of management or non-independent directors present. The Lead Director will be responsible for moderating the *in camera* Board of Directors meetings held by the Board's independent directors and acting as principal liaison between the independent directors and the Chair of the Board on matters dealt with in such *in camera* sessions. In the absence of the Chair of the Board; the Lead Director shall preside at meetings of the Board.

V. Board Leadership

In addition to the duties of a regular Board member and those set forth in the Company's by-laws applicable to the office (if any), the Chair of the Board has the following specific responsibilities:

- schedule Board meetings in a manner that enables the Board and its committees to perform their duties responsibly while not interfering with the ongoing operations of the Company or the Business;
- prepare, in consultation with the Company's executive officers, committee chairs and other directors, the agendas for the Board meetings;
- monitor the relationships and flow of information between senior management and the Board and assess whether such relationships and the quantity, substance and timeliness of that information conforms to the expectations of the Board;
- interview appropriate Board candidates, and discuss with the other Board members, the Chair of the Board's impression of such candidates;
- conduct an annual review and evaluation of the conduct and performance of the Board and the conduct and performance of management;
- consult with the Board with respect to the membership of the various Board committees and the recommendation of the committee chairs; and
- assist the Board in the implementation of this Mandate.

VI. Director's Access to Management and Outside Advisors

Each director shall have full access to: (a) senior management; (b) information about the Company's operations; and (c) any outside advisor to the Company. The Board will work with senior management to, where appropriate, have operating heads of the major business segments of the Business brought to Board meetings from time to time who can provide additional insight into the items being discussed because of personal involvement in those areas. The Board or any committee may request any officer or employee or the Company's counsel or other advisors or consultants to attend a meeting of the Board or such committee, as the case may be, or to meet with any member of or advisor to the Board or such committee.

VII. Outside Experts

While the information needed for the Board's decision making generally will be found within the Company or from management, from time to time the Board may seek legal, accounting or other expert advice from sources independent of management.

Each standing committee of the Board shall have the sole authority, without further authorization from the Board, to engage, compensate, oversee and terminate external independent consultants, counsel and other advisors as it determines necessary to carry out its duties, including, in the case of the Audit Committee, the resolution of any disagreements between management and the Company's external auditors regarding financial reporting. The Company shall provide appropriate funding (as determined by each standing committee) for payment of compensation to advisors engaged by any such committee.

The Board may also engage, compensate, oversee and terminate external consultants, counsel and other advisors as it deems necessary to carry out its duties. The Company shall provide appropriate funding (as determined by the Board) for payment of compensation to advisors engaged by the Board as a whole.

VIII. Board Meetings

The Chair of the Board, in consultation with the other members of the Board, shall determine the timing and length of the meetings of the Board. The Board expects that four regular meetings at appropriate intervals will be sufficient for the discharge of the Board's normal responsibilities. In addition to regularly scheduled meetings, special Board meetings may be called upon appropriate notice at any time to address specific needs of the Company.

Directors are expected to attend and participate in person in each regularly scheduled Board meeting, as well as any meetings of committees of which they are members associated with a regularly scheduled Board meeting. It is recognized, however, that telephone or video conference participation by a director may be necessary from time to time and that such participation is preferable to a director missing a Board meeting.

The Chair of the Board shall establish the agenda for each Board meeting after consulting with the other directors and senior management. Each agenda for a regularly scheduled Board meeting will include an "Other Business" segment. Each director shall be entitled to suggest the inclusion of items on the agenda, request the presence of or a report by any member of senior management or raise subjects during the "Other Business" segment of each regularly scheduled Board meeting that are not on the agenda for that meeting. The Chair of the Board shall circulate the final agenda among the directors. To the extent deemed appropriate by management, the operating heads of the major business segments of the Business shall be afforded an opportunity to make presentations to the Board. The Company's Chief Executive Officer, Chief Financial Officer, President of Pipelines and President of Terminals (if not directors) shall attend each meeting of the Board, unless requested otherwise by the Board.

IX. Board Materials

Analyses and empirical data are important to the directors' understanding of the business to be conducted at a meeting of the Board or any committee. Directors should receive appropriate information and data that are important to their understanding of the business of the Company in sufficient time to prepare for meetings and in any event, if practicable, at least two business days prior to any regularly scheduled meeting in the case of a regular agenda item and as promptly as practicable thereafter with respect to any special agenda item. Such information and data relating to matters to be addressed at a specially scheduled meeting shall be received by directors as soon as practicable prior to the meeting. Efforts shall be made to make this material concise but in sufficient detail to provide the requisite information and a reasonable basis on which the directors can make informed business decisions; it shall be analytic as well as informational; and it shall include highlights and summaries whenever appropriate. The material may be distributed by electronic means, regular mail, fax, courier, or overnight mail. The Board recognizes the importance of directors reviewing and being familiar with the information furnished to them prior to meetings. Notwithstanding the foregoing, it is recognized that under certain circumstances certain written materials may not be made available in advance of a meeting.

Directors may request that the appropriate members of senior management present to the Board information on specific topics relating to the Company or the Business and its operations.

X. Board Committees and Committee Membership

The Board has four standing committees, the Audit Committee, the Nominating and Governance Committee, the Compensation Committee and the Health Safety and Environment Committee. The Board may form a new committee or disband a committee if, in its view, it is appropriate to do so, provided that the Board will always have an audit committee. The Board may determine among its members the members of its committees, provided that the members of the Audit Committee may be chosen solely from those directors that meet the independence requirements of National Instrument 52-110 — *Audit Committees*.

In addition to the Audit Committee the Nominating and Governance Committee, the Compensation Committee and the Health Safety and Environment Committee, the Board may from time to time designate additional or *ad hoc* committees in conformity with the Company's by-laws. Each committee shall have the authority and responsibilities delineated in, and act in accordance with, the Company's by-laws, the resolutions creating it, its applicable charter, if any, and this Mandate. The Board may alter or amend the charter of any standing committee at any time and shall also have the authority to disband any *ad hoc* or standing committee when it deems it appropriate to do so, provided that the Company shall at all times have such committees as may be required by the by-laws, applicable law or listing standards.

Each standing committee shall have a written charter, which shall be approved by the full Board and state the purpose of such committee. Committee charters shall be reviewed at least annually and revised as necessary to reflect the activities of each of the respective committees, changes in applicable law, regulation or listing requirements and other relevant matters, and proposed revisions to such charters shall be approved by the full Board. If any director ceases to be independent under the standards set forth herein or required by law or listing standards while serving on any committee whose members must be independent, he or she shall promptly resign from that committee.

The members of any standing committee of the Board will be appointed annually 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 are duly elected and qualified. Any member of a committee or committee chair may resign or, subject to the by-laws, be removed by the Board from membership on the committee or as chair. Any committee chair will periodically report the applicable committee's findings and conclusions to the Board.

The Company will provide appropriate funding, as determined by each standing committee or the Board, as the case may be, for the ordinary administrative expenses of each committee and the Board that are necessary or appropriate in carrying out its duties.

XI. Committee Meetings

Each committee chair, in consultation with the Chair of the Board, other directors and senior management, shall establish agendas and set meetings in accordance with that committee's charter at the frequency and length appropriate and necessary to carry out the committee's responsibilities.

Any director who is not a member of a particular committee may attend any committee meeting with the concurrence of the committee chair or a majority of the members of that committee.

Any director who so requests will be placed on the list to receive all information circulated to the members of any standing committee, unless the committee chair requests otherwise.

At every meeting of any committee, the presence of a majority of all the members thereof shall constitute a quorum and, the by-laws of the Company, the act of a majority of such members present shall be deemed to constitute the act of such committee. Unless otherwise provided in the by-laws, the charter of a committee or in procedures adopted by the committee, meetings of committees may be called in the same manner and on the same notice as set forth for meetings of directors in the Company's by-laws, and a committee may act by unanimous written consent.

XII. Board Conduct and Review

Members of the Board shall act at all times in accordance with the standards applicable to directors of the Company under the Company's certificate of incorporation and by-laws, the *Business Corporations Act* (Alberta), this Mandate and the requirements of the Company's Code of Business Conduct and Ethics (the "**Code of Ethics**").

The Board, under the leadership of the Chair of the Board, shall conduct an annual review and evaluation of the conduct and performance of the Board, each standing committee and all directors, based upon completion by each director of an evaluation form, generally circulated after the final regularly scheduled Board meeting in each year, or upon such interviews of directors or other methods as the Chair of the Board believes appropriate and suitable for eliciting the relevant information. The evaluation form, or such other method, shall include questions designed to solicit an assessment of:

- the composition and independence of the Board and each committee of which a director is a member;
- access to and review of information from management by the Board and each committee on which a director is a member, and the quality and timeliness of such information;
- the performance of the Board and each committee of which each director is a member;
- the adequacy of the charter of each standing committee of which a director is a member;
- the Board's responsiveness to shareholder concerns;
- the content and effectiveness of, and compliance with, the Company's Code of Ethics; and
- maintenance and implementation of this Mandate.

The review shall seek to determine whether the Board and its committees are functioning effectively and identify specific areas, if any, in need of improvement or strengthening. The results shall be summarized in a report made by the Chair of the Board to the full Board annually, generally during the regularly scheduled first quarter Board meeting in each year and the Board will collectively assess the results and the performance of the Board as a whole, each standing committee and all directors and formulate a response to such collective assessment accordingly. Each standing committee of the Board shall consider the report in connection with such committee's annual evaluation of its own performance.

XIII. Orientation of Directors

The Board shall provide appropriate orientation programs for new directors, which shall be designed both to familiarize new directors with the full scope of the business of the Company and the Business and key challenges and to assist new directors in developing and maintaining the skills necessary or appropriate for the discharge of their responsibilities. The Board and management shall also periodically arrange for site visits or provide materials or briefing sessions for all directors on subjects that would assist them in discharging their duties. The Company shall reimburse each director for reasonable costs incurred if the director chooses to attend and participate in one professionally sponsored conference or educational program annually relating to directors of publicly held companies and their duties and responsibilities.

XIV. Director Compensation

The Board shall review and approve annually the directors' compensation package. Director compensation should be sufficient to enable the Company to attract and retain talented and qualified individuals to serve on the Board and its standing committees. Accordingly, the Company will not be limited to benchmarking its director compensation package to those offered by companies in its peer group or those offered by companies of comparable size, stature and quality.

The Board is aware that questions as to the independence of non-management directors may be raised when director's fees and other compensation and benefits exceed what is customary. The Board also is aware that similar concerns as to the independence of non-management directors may be raised if the Company makes substantial charitable contributions to organizations in which a non-management director is affiliated, or enters into consulting contracts with (or provides other indirect forms of compensation to) directors. The Board intends to evaluate these matters when determining the form and amount of director compensation and the independence of a director.

XV. Age, Term and Other Limits

The Board does not currently believe that this Mandate should place a fixed limit on the number of directorships that its directors hold in other companies or impose maximum age or term limits on its directors. The Board believes that such limitations are not necessary to ensure appropriate Board renewal and, in any event, arbitrarily restrict the pool of talent available for service on the Board. Directors are, however, encouraged to limit the number of directorships that they hold in public companies so that they can devote sufficient time to the discharge of their responsibilities to each public company for which they serve as a director, including the Company.

XVI. General Limitations

The members of the Board will discharge the oversight responsibilities set out in this Mandate and in any committee charters by, among other things, evaluating (a) reports given to them, (b) presentations made to them and (c) other significant business and financial reporting decisions which are reported to them by management, internal auditors, external auditors and others. Within the bounds of reasonable business judgment and assessment, and to the extent permissible under law, each member of the Board or of any committee will be entitled to rely on the integrity of the individuals and organizations within and outside of the Company from whom they receive such information. In discharging his or her duties as a member of the Board or of any committee, each member is entitled to rely on the records of the Company and on such information, opinions, reports or statements, including financial statements and other financial data, that is prepared and presented by (i) any officer, employee or committee of the Company or (ii) legal counsel, external auditors, outsourced internal auditors, governance consultants, compensation consultants or other persons as to matters the member reasonably believes are within the person's professional or expert competence and who was selected with reasonable care by or on behalf of the Company, the Board or committee of the Board or any committee of the Company.

XVII. Mandate

The Board shall annually re-evaluate this Mandate and make such revisions as it deems necessary or appropriate. In doing so, the Board shall consider other corporate governance guidelines identified by leading governance authorities and the evolving needs of the Company.

If the Board ascertains at any time that any of the guidelines set forth in this Mandate are not being observed, the Board shall take such action as it deems reasonably necessary to assure full compliance as promptly as practicable.

When this Mandate provides that any particular action by the Board, a committee or the Chair of the Board 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 Board, committee or Chair, as applicable.

The Board is responsible for the enactment and approval of changes in the Code of Ethics. The Audit Committee has responsibility for the oversight of the implementation and administration of the Code of Ethics, the review and assessment at least annually of the effectiveness of the Code of Ethics and the recommendation to the Board of suggested changes in the Code of Ethics.

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