

KINDER MORGAN CANADA LIMITED
(the “Company”)
CHARTER OF THE
COMPENSATION COMMITTEE

I. Purpose

The Compensation Committee (the “Committee”) is appointed by the board of directors of the Company (the “Board”) to assist the Board in fulfilling its oversight responsibilities. The Board desires to provide a compensatory program for senior management of the Company (other than those who are also employees of Kinder Morgan, Inc.) (“Canada Executives”) pursuant to which they are effectively compensated in terms of salaries, supplemental compensation and other benefits on a basis that is internally equitable and externally competitive. Therefore, the Committee’s primary purposes include to:

- develop and recommend to the Board, the annual compensation, direct and indirect, to be received by Canada Executives;
- review new executive compensation programs;
- assess and monitor the Company’s director compensation programs;
- review on a periodic basis the effectiveness of the Company’s director and executive compensation programs to determine whether they are properly coordinated and achieving their intended purpose;
- monitor and take steps to modify any executive compensation program that yields payments and benefits that are not reasonably related to executive and institutional performance or are not competitive in the aggregate to programs of peer businesses;
- produce disclosure relating to director and executive compensation for inclusion in the Company’s periodic disclosure as required under applicable securities laws; and
- periodically review and assess the Company’s compensation and benefits plans of broad application.

II. Membership

The Committee will consist of three members, each of whom must meet any applicable criteria, including with respect to independence, as may be required by applicable law or the constating documents of the Company or set forth in the Company’s Mandate (“Mandate

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. Any member of the Committee or the Chair may resign or, subject to applicable law and the constating documents of the

Company, be removed by the Board from membership on the Committee or as the Chair. The Committee shall not have alternate members.

III. Meetings

The Committee will meet at least two times annually, 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. References in this Charter to employees of the Company include all employees of affiliates, including Kinder Morgan Canada Inc., performing services (or providing support or assistance in connection therewith) for the Company.

In preparing the agenda for each Committee meeting, the Chair of the Committee shall solicit input on the agenda items for the meeting from the other directors and from representatives of senior management designated by the Company's Chief Executive Officer.

IV. Responsibilities

1. The Committee will assist the Board in implementing a total executive compensation philosophy that supports the Company's overall strategy and objectives; attracts and retains key executives; links total compensation to financial performance and the attainment of short and long term strategic, operational, and financial objectives; and provides competitive total compensation opportunities at a reasonable cost, while enhancing the ability to fulfill the Company's objectives.

2. The Committee will develop and recommend to the Board annually Company goals and objectives relevant to the compensation of the Canada Executives. Generally following the regularly scheduled fourth quarter Board meeting in each year, the Committee shall solicit information from each director, the Chief Executive Officer and other relevant members of the Company's senior management regarding the performance of each of the Canada Executives during that year. The Chief Executive Officer shall make compensation recommendations to the Committee with respect to each Canada Executive. The Committee shall complete the information gathering process and compile the information, generally prior to its regularly scheduled first quarter meeting. Subject to the terms of any applicable employment agreement, annually, generally at its regularly scheduled first quarter meeting, the Committee shall evaluate each Canada Executive's performance in light of Company goals and objectives and make a recommendation to the full Board regarding the compensation of such officers for that year. Subject to the terms of any applicable employment agreement, the Board will make determinations with respect to the continued employment and compensation of the Canada Executives. The Committee shall also make recommendations to the Board regarding bonuses for the prior year based on the targets set therefor, and regarding targets for the present year for bonus and other relevant purposes.

3. The Committee will make recommendations to the Board regarding the adoption, amendment, and termination by the Board, and shareholders, if required, of appropriate restricted share unit plans, stock option plans, pension and profit sharing plans, bonus plans, deferred

compensation plans, executive perquisites, employment agreements and other employee benefit plans and similar programs of the Company (the “Compensation Plans”).

4. The Committee will make recommendations to the Board regarding the administration and interpretation of the Company’s Compensation Plans, including any Company bonus and incentive plans, oversight responsibility over other compensation programs of the Company, and will review periodically the structure, cost effectiveness, and competitive position of the Company’s compensation programs.

7. The Committee will make recommendations to the Board regarding any grant of rights, participation and interests in Compensation Plans to eligible participants.

8. The Committee will make recommendations to the Board regarding adoption and administration of, and approval of awards under, the Company’s Compensation Plans, including amendments to the awards made under any such plans, and will review and monitor awards under such plans.

9. The Committee will assess the adequacy and suitability of the Company’s compensation plan for members of its Board, generally at the time of the regularly scheduled first quarter Board meeting in each year. In carrying out this responsibility, the Committee will consider whether the Company’s director compensation plan is sufficient to enable the Company to attract and retain talented and qualified individuals to serve on the Board and its standing committees. The Committee will prepare, as appropriate, modifications to the current director compensation plan and submit any such modifications to the Board for its consideration.

10. The Committee will produce any proposed disclosure respecting director or executive compensation for inclusion in the Company’s periodic disclosure, as required by applicable securities laws, including the Company’s annual statement of executive compensation and compensation discussion and analysis included therein.

11. The Committee will review and advise the Board regarding such other compensation matters as the Board may request.

12. The Committee will design its recommendations regarding the Company’s total executive compensation program and practices with appropriate consideration of all tax, accounting, legal and regulatory requirements.

13. The Committee will keep abreast of current trends, developments, and emerging issues in executive compensation outside of the Company.

14. The Committee will review and reassess the adequacy of this Charter at least annually and recommend any proposed changes to the Board for approval.

15. The Committee will annually evaluate its own performance.

16. The Committee will perform any other activities consistent with this Charter, the Company’s constating documents, the Mandate and governing law as the Committee or the Board deems necessary or appropriate.

17. The Committee will maintain minutes of meetings and periodically report to the Board on its activities.

18. As it believes to be appropriate, the Committee will obtain advice and assistance from outside legal, compensation or other advisors.

V. Power to Engage Advisors

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

The Committee will have the sole authority to determine if any compensation advisor is to be used to assist in the evaluation of director or executive compensation and will have sole authority to retain and terminate any such compensation advisor and to approve the advisor's fees and other retention terms.

In retaining or seeking advice from a compensation consultant, counsel or other advisor, the Committee must take into consideration all factors relevant to that person's independence from management, including the following factors:

- the provision of other services to the Company or its affiliates by the advisor's employer;
- the amount of fees paid by the Company to the advisor's employer, as a percentage of that employer's total revenue;
- the policies and procedures of the advisor's employer that are designed to prevent conflicts of interest;
- any business or personal relationship between the advisor and any member of the Committee;
- any ownership by the advisor of any of the Company's securities; and
- any business or personal relationship between the advisor, or the advisor's employer, and any executive officer of the Company.

The Committee may retain, or receive advice from, any compensation advisor it prefers, including ones that are not independent, after considering the foregoing factors. The Committee is not required to assess the independence of in-house legal counsel or any compensation advisor for which no disclosure would be required under applicable securities regulations, if such advisor acts in a role limited to consulting on any broad-based plan that does not discriminate in scope, terms or operation in favor of executive officers or directors of the Company and that is available

generally to all salaried employees, or providing information that is not customized for a particular company or that is customized based on parameters that are not developed by the advisor, and about which the advisor does not provide advice.

Nothing herein shall be construed to require the Committee to implement or act consistently with the advice or recommendations of any compensation consultant, counsel or other advisor to the Committee or to affect the ability of the Committee to exercise its own judgment in fulfillment of its duties.

VI. Procedures

The Committee shall conduct its operations in accordance with the procedures set forth in the Company's constating documents applicable to the operations of the Board and its committees and in accordance with this Charter and the relevant portion of the 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.

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