

**SPECTRA ENERGY CORP**  
**PRINCIPLES FOR CORPORATE GOVERNANCE**

(June 2014)

The Board of Directors (the “Board”) of Spectra Energy Corp (the “Corporation”) is elected by shareholders to oversee management and to assure that the long-term interests of shareholders are served. The Board and management recognize that shareholder interests are advanced by balancing the interests of all our stakeholders, including investors, customers, employees, the communities we serve and the environment.

An effective Board will positively influence shareholder value and enhance the reputation of the Corporation as a constructive resource in the communities where it does business. Good governance practices will provide a framework for timely responses to issues affecting the Corporation and thereby maximize the effectiveness of the Board. The Board adopts these Principles for Corporate Governance to assist the Board in exercising its responsibilities and to confirm its strong commitment to good corporate governance practices.

**1. Responsibilities of Directors**

- The basic responsibilities of the directors are their oversight of management in the conduct of the business of the Corporation and the exercise of their business judgment to act in what they reasonably believe to be in the long-term best interests of the Corporation and its shareholders. In discharging those responsibilities, directors are entitled to rely on the honesty and integrity of the Corporation’s senior executives and outside advisors and auditors.
- A director is expected to spend the time and effort necessary to properly discharge his or her responsibilities.
- A director is expected to regularly attend meetings of the Board and committees on which the director serves and be adequately prepared to participate fully in any discussion. Directors are encouraged to attend the annual meeting of shareholders.
- A director should at all times discharge his or her responsibilities with the highest standards of ethical conduct and in conformity with applicable laws and regulations.

**2. Director Nominations and Qualifications**

- The Corporate Governance Committee will oversee the selection process for identifying candidates for election to the Board.
- The Board should possess, as a group, the knowledge, experience and skills necessary to develop and oversee the implementation of the strategic vision of

the Corporation, and such other qualities as the Board shall identify from time to time. It looks for diversity in a nominee such that the nominee can enhance perspective and experiences through diversity in gender, ethnic background, geographic origin and professional experience. These qualifications shall include the following characteristics and core competencies:

- fundamental qualities of intelligence, perceptiveness, good judgment, maturity, high ethics and standards, integrity and fairness;
  - a genuine interest in the Corporation and recognition that, as a member of the Board, one is accountable to the shareholders of the Corporation as a whole;
  - a background that includes broad business experience or demonstrates an understanding of business and financial affairs and the complexities of a large, multifaceted, global business organization;
  - experience as a present or former chief executive officer, chief operating officer, or substantially equivalent level executive officer of a highly complex organization such as a corporation, university or major unit of government, or a professional who regularly advises such organizations;
  - no conflict of interest or impediment which would interfere with the duty of loyalty owed to the Corporation and its shareholders;
  - the ability and willingness to spend the time required to function effectively as a director;
  - compatibility and ability to work well with other directors and executives in a team effort with a view to a long-term relationship with the Corporation as a director; and
  - independent judgment and a willingness to express views in a constructive manner.
- The Corporate Governance Committee will consider individuals recommended by shareholders on a similar basis as those identified by other means, taking into account, among other things, the criteria described above and the proposed candidate's experience and skills. In addition, the Committee considers the proposed candidate's independence with respect to both the Corporation and the shareholder recommending the candidate.

### 3. **Voting for Directors**

In accordance with the Corporation's By-Laws, if none of the Corporation's shareholders delivers to the Corporation a notice of an intention to nominate one or more candidates to compete with the Board's nominees in a director election, or if shareholders have withdrawn all such nominations by the tenth day before the Corporation mails its notice of the applicable meeting of shareholders, a nominee must receive more votes cast for than against his or her election or re-election in order to be elected or re-elected to the Board. The Board expects a director to tender his or her resignation if he or she fails to receive the required number of votes for re-election. The Board shall nominate only a candidate who agrees to tender, promptly following the annual meeting at which he or she is elected or re-elected as a director, an irrevocable resignation that will be effective upon (i) the failure to receive the required vote at the next meeting at which he or she faces re-election; and (ii) Board acceptance of such resignation. In addition, the Board shall fill a director vacancy and a new directorship only with a candidate who agrees to tender, promptly following his or her appointment to the Board, the same form of resignation tendered by other directors in accordance with this provision. If any incumbent director fails to receive the required vote for re-election:

- The Corporate Governance Committee will consider whether or not to accept the director's resignation and, promptly following the date of the shareholders' meeting at which the election occurred, will make a recommendation to the Board concerning the acceptance or rejection of such resignation. In determining its recommendation to the Board, the Corporate Governance Committee will consider all factors deemed relevant by the members of the Corporate Governance Committee, including the qualifications of the director, the impact the director's resignation would have on the Corporation's compliance with the requirements of the Securities and Exchange Commission ("SEC"), the New York Stock Exchange and these Principles for Corporate Governance and whether the director's resignation from the Board would be in the best interests of the Corporation and its shareholders.
- The Board will promptly take formal action on the Corporate Governance Committee's recommendation. In considering the Corporate Governance Committee's recommendation, the Board will consider such information, factors and alternatives as the Board deems relevant.
- Following the Board's decision on the Corporate Governance Committee's recommendation, the Corporation will promptly disclose, in a Form 8-K filed with the SEC, the Board's decision, together with an explanation of the process by which the decision was made and, if applicable, the Board's reason or reasons for rejecting the tendered resignation.
- No director who, in accordance with this policy, is required to tender his or her resignation, shall participate in the Corporate Governance Committee's deliberations or recommendation, or in the Board's deliberations or

determination, with respect to accepting or rejecting his or her resignation as a director. If a majority of the members of the Corporate Governance Committee failed to receive the required vote for re-election, then the independent directors then serving on the Board who did receive the required vote for re-election will appoint an ad hoc Board committee from amongst themselves (the “Ad Hoc Committee”), consisting of such number of directors as they may determine to be appropriate, solely for the purpose of considering and making a recommendation to the Board with respect to the tendered resignations. The Ad Hoc Committee shall serve in place of the Corporate Governance Committee and perform the Corporate Governance Committee’s duties for the purposes of this policy. Notwithstanding the foregoing, if an Ad Hoc Committee would have been created but fewer than three directors would be eligible to serve on it (including in circumstances where the entire Board fails to receive the required vote for re-election), the entire Board (other than the directors whose resignation is being considered) will make the determination to accept or reject the tendered resignation without any recommendation from the Corporate Governance Committee and without the creation of an Ad Hoc Committee.

#### **4. Director Orientation and Continuing Education**

- New directors will receive appropriate orientation materials.
- Senior managers and other appropriate personnel will brief new directors on the corporation and the industry, including the Corporation’s strategic plans, internal control procedures, compliance programs, code of ethics and related policies, management and internal and independent auditors.
- Directors are encouraged to take advantage of field visits to Corporation facilities and to take advantage of director education opportunities that will enhance their ability to fulfill their responsibilities to the Corporation.

#### **5. Board Leadership and Lead Director**

- The non-employee directors will elect a Chairman of the Board (“Chairman”) upon the recommendation of the Corporate Governance Committee.
- The Chairman leads the Board and oversees Board meetings and the delivery of information necessary for the Board’s informed decision-making. The Chairman also serves as the principal liaison between the Board and management.
- The Board, upon the recommendation of the Corporate Governance Committee, determines whether the role of the Chairman and the Chief Executive Officer should be separated or combined based on its judgment as to the structure that best serves the interests of the Corporation and that contributes to the effective operation of the Board. Currently, the Board believes that the positions of the Chairman and Chief Executive Officer should be held by the same person. The

Board believes this combination in concert with a strong independent lead director provides optimal leadership and direction for the Corporation.

- When the Chairman and Chief Executive Officer roles are combined, the independent directors shall designate an independent director to serve as Lead Director and to:
  - preside at all Board meetings at which the Chairman is not present, including executive sessions of the independent directors, which are held after each Board meeting;
  - serve as a liaison between the Chairman and the independent directors;
  - consult with the Chairman on Board meeting agendas and information provided to the Board;
  - approve meeting schedules to assure that there is sufficient time for discussions;
  - call meetings of the independent directors and set agendas for executive sessions; and
  - serve as Board representative for consultation and direct communication with major stockholders on issues that the Board may determine from time to time.

6. **Size of the Board**

- The number of directors constituting the Board shall be fixed at 10. This size permits diversity of experience without hindering effective discussion or diminishing individual accountability.

7. **Frequency of Meetings**

- The Board will meet as frequently as required to attend to the business of the Corporation.
- Regular meetings will be supplemented by teleconference meetings as required.

8. **Independence of Directors**

- Independent directors will constitute a substantial majority of the Board.
- The Corporate Governance Committee will confirm that the composition of relevant committees conforms to applicable director independence requirements.

- If a change in circumstance affects an independent director's continuing independence, that director should offer to tender his or her resignation to the Corporate Governance Committee. The Corporate Governance Committee will determine whether to recommend to the Board that it accept the resignation.

9. **Service on Other Boards**

- Interlocking directorships will only be allowed in conformance with applicable laws and regulations.
- Current directors will notify the Chairman when considering a request for service on another board, and the Corporate Governance Committee will discuss potential conflicts of interest and whether the service would interfere with such director's ability to properly discharge his or her duties to the Corporation.

10. **Directors Whose Responsibilities Change**

- A non-employee director whose principal occupation or business association changes, or if other similarly material changes in the director's circumstances occur that reasonably may have an adverse effect on the director's reputation or the reputation of the Corporation, will, as a matter of course, so notify the Chairman and should offer to tender his or her resignation. The Corporate Governance Committee will determine whether to recommend to the Board that it accept the resignation.
- Directors who are employees are expected to tender their resignation at the same time they cease employment with the Corporation, unless continued service is approved by the Board.

11. **Term Limits**

- Limits will not be imposed on the terms of directors.

12. **Retirement Age**

- The normal retirement date for a director will be the annual shareholders meeting following his or her 74<sup>th</sup> birthday.

13. **Director Compensation / Share Ownership**

- Director compensation and benefits will be competitive, reasonable and customary in comparison to corporations that are similarly situated.
- The Board, upon the recommendation of the Corporate Governance Committee, will approve director compensation and benefits.

- Directors should have a financial stake in the Corporation. The Corporation's stock ownership policy requires non-employee directors to own at least 15,000 shares of the Corporation's stock within 5 years of becoming a director.

14. **Assessing the Board's Performance**

- The Corporate Governance Committee will oversee completion of the annual assessment of the Board's performance.
- The Corporate Governance Committee will address any issues concerning the performance of an individual director.
- Directors are encouraged to make suggestions as to Board practices.

15. **Board Interaction with Stakeholders**

- Management has the authority and responsibility to speak for the Corporation. Individual members of the Board may, from time to time at the request of management, meet or otherwise communicate with various constituencies that are involved with the Corporation. If comments from the Board are appropriate, they should, in most circumstances, come from the Chairman.
- Board members who meet with stakeholders should first coordinate with management.

16. **Board Access to Management**

- Board members have complete access to management.
- The Board welcomes the exposure of top managers to the Board.

17. **Selection of Agenda Items for Board Meetings**

- The Chairman, with the assistance of management, and if the Board has appointed a Lead Director, the Lead Director, will establish the agenda for Board meetings.
- Board members are free to suggest agenda items.

18. **Board Materials**

- The Board will be fully informed of major proposals.
- Materials will be distributed in writing sufficiently in advance of each Board meeting to permit directors to prepare for discussion.
- Board members will review fully all materials.

- The Chairman and/or Lead Director will discuss the adequacy of materials with Board members periodically.

19. **Committees**

- The standing committees of the Board, which assist the Board in discharging its responsibilities, are the Audit, Compensation, Corporate Governance, and Finance and Risk Management Committees.
- Each committee will have a formal statement of responsibilities in the form of a charter complying with all applicable laws, rules and regulations.

20. **Assignment and Rotation of Committee Members**

- Upon consultation with the Chairman, the Corporate Governance Committee will recommend to the Board the assignment of Board members to committees.
- The rotation of committee memberships will be encouraged, but not mandated.

21. **Frequency and Length of Committee Meetings**

- The committee chair will determine the frequency and length of meetings.
- Committee actions will be reported to the Board.
- All directors are free to attend any committee meetings but may be excluded by the committee as the committee deems appropriate in order to carry out its responsibilities.

22. **Evaluation of the Chief Executive Officer and Management Succession and Development Plan**

- The Corporate Governance Committee will oversee an annual formal evaluation of the Chief Executive Officer which may be conducted by the Compensation Committee. Such evaluation will consider such factors as are deemed relevant, such as individual performance, the extent to which measures related to enterprise challenges are successfully achieved, whether as part of the Corporation's compensation program or otherwise, the feedback of all independent directors and the advice of any outside advisors who may be consulted by the Compensation Committee in establishing the compensation of the Chief Executive Officer.
- The Chairman and/or the Chief Executive Officer will review management succession plans at least annually with the Board.



23. **Periodic Review**

- The Corporate Governance Committee will review the Principles for Corporate Governance periodically and will make recommendations to the Board as appropriate.

24. **Regular Meetings of Non-Management Directors**

- The non-employee members of the Board will hold regular meetings without employee directors present and may invite employee directors and members of management to attend as they may determine. In the event that the non-employee members of the Board include directors who are not independent under the applicable listing standards, the Corporation will, at least once per year, schedule an executive session including only independent directors.