

SPECTRA ENERGY CORP
PRINCIPLES FOR CORPORATE GOVERNANCE

(August 2008)

An effective Board of Directors will positively influence shareholder value and enhance the reputation of Spectra Energy Corp (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 of Directors of the Corporation (the “Board”). The Board adopts these Principles for Corporate Governance to assist the Board in exercising its responsibilities and to signal its strong commitment to good corporate governance practices.

Principles for Corporate Governance

1. Responsibilities of Directors

- The basic responsibility of the directors is to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Corporation and its shareholders. In discharging that obligation, directors are entitled to rely on the honesty and integrity of the Corporation’s senior executives and its 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, in conformity with applicable laws and regulations, and act solely in the best interest of the Corporation and its shareholders.
- The directors are entitled to have the Corporation purchase reasonable D&O liability insurance on their behalf; to receive the benefits of indemnification to the fullest extent permitted by law and the Corporation’s charter, bylaws and any indemnification agreements; and to benefit from exculpation as provided by state law and the Corporation’s charter.

2. **Director Nominations and Qualifications**

- The Corporate Governance Committee will have the primary responsibility for nominating candidates for election to the Board.
- We look for the following characteristics in any candidate for nominee to serve on our Board:
 - 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, not to any particular interest group.
 - 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.
 - present or former chief executive officer, chief operating officer, or substantially equivalent level executive officer of a highly complex organization such as a , university or major unit of government, or a professional who regularly advises such organizations.
 - no conflict of interest or legal impediment which would interfere with the duty of loyalty owed to the Corporation and its shareholders.
 - the ability and be willing 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.
 - independent opinions and be willing to state them in a constructive manner.
 - a shareholder of the Corporation (within a reasonable time of election to the Board).
- 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 profile criteria described above and the nominee's experiences and skills. In addition, the Committee considers the shareholder nominee's independence with respect to both the Corporation and the nominating shareholder.

3. **Voting for Directors**

- In an uncontested election of directors, any nominee who receives a greater number of votes “withheld” from his or her election than votes “for” his or her election will, within five days following the certification of the shareholder vote, tender his or her written resignation to the Chairman of the Board for consideration by the Corporate Governance Committee. As used herein, an “uncontested election of directors” is an election in which the number of nominees is not greater than the number of Board seats open for election.
- The Corporate Governance Committee will consider such tendered 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, without limitation, the stated reason or reasons why shareholders who cast “withhold” votes for the director did so, the qualifications of the director (including, for example, the impact the director’s resignation would have on the Corporation’s compliance with the requirements of the Securities and Exchange Commission, 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 Corporate Governance Committee also will consider a range of possible alternatives concerning the director’s tendered resignation as members of the Committee deem appropriate including, without limitation, acceptance of the resignation, rejection of the resignation, or rejection of the resignation coupled with a commitment to seek to address and cure the underlying reasons reasonably believed by the Corporate Governance Committee to have substantially resulted in the “withheld” votes.
- The Board will take formal action on the Corporate Governance Committee’s recommendation no later than 90 days following the date of the shareholders’ meeting at which the election occurred. In considering the Corporate Governance Committee’s recommendation, the Board will consider the information, factors and alternatives considered by the Corporate Governance Committee and such additional 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 Securities and Exchange Commission, the Board’s decision, together with a full 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 received a greater number of votes "withheld" from their election than votes "for" their election, then the independent directors then serving on the Board who received a greater number of votes "for" their election than votes "withheld" from their 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 receives a greater number of votes "withheld" from their election than votes "for" their 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

- New directors will receive a comprehensive package of orientation materials.
- Senior managers and other appropriate personnel and outside advisors 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 will be encouraged to take advantage of field visits to Corporation facilities.

5. Combination of Chairman and Chief Executive Officer

- The positions of Chairman of the Board and Chief Executive Officer may be held by the same individual.

6. Lead Director

- Unless the role of the Chairman of the Board is independent of the Chief Executive Officer, or an independent director or a non-employee executive is filling the role of Chairman of the Board, the Board will appoint a Lead

Director who will serve as a liaison between the Board, the Chairman of the Board and the Chief Executive Officer.

7. Size of the Board

- The current view is that a Board of 10-14 directors is the optimal size.
- This size permits diversity of experience without hindering effective discussion or diminishing individual accountability.

8. 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.

9. 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.

10. Service on Other Boards

- Interlocking directorships will only be allowed in conformance with applicable laws and regulations.
- Current directors will notify the Chairman of the Board 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.

11. Directors Whose Responsibilities Change

- A non-employee director whose occupational responsibilities change will, as a matter of course, notify the Corporate Governance Committee of the changed responsibilities, except where the duties changed as a result of normal retirement, and the Corporate Governance Committee will determine whether the director should resign from the Board.
- Directors who are employees are expected to resign at the same time they cease employment with the Corporation.

12. **Term Limits**

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

13. **Retirement Age**

- The normal retirement date will be the annual shareholders meeting following a director's 72nd birthday.

14. **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 Compensation Committee, will approve director compensation and benefits.
- Directors should have a financial stake in the Corporation. The Corporation's guidelines require directors to own 4,000 shares of the Corporation stock within 5 years of becoming a director.

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

- The Corporate Governance Committee will ensure that the full Board completes an 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.

16. **Board Interaction with Institutional Investors, Press, Customers**

- The Chairman of the Board has primary responsibility for communications with various stakeholders.
- Board members who meet with stakeholders should first coordinate with management.

17. **Board Access to Management**

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

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

- The Chairman of the Board, 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.
- The Board annually reviews long-term strategic plans and reviews strategic updates.
- The Board annually reviews operating plans and specific goals at the beginning of the year and financial performance periodically.

19. **Board Materials Distributed in Advance**

- The Board will be fully informed of major proposals.
- Materials will be distributed in writing prior to each Board meeting.
- Materials will be brief but thorough.
- The Secretary will discuss the adequacy of materials with Board members periodically.

20. **Board Presentations**

- Presentation materials shall be provided in advance of meetings.
- Sensitive matters may be discussed without written materials.
- Board members will review fully all materials and will be prepared for crisp and focused discussion on management proposals.

21. **Number of Committees**

- The committees shall include Audit, Compensation, Corporate Governance, and Finance and Risk Management.
- Each committee will have a formal statement of responsibilities in the form of a charter complying with all applicable laws, rules and regulations.

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

- Upon consultation with the Chairman of the Board, 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.

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

- The committee chair will determine the frequency and length of meetings.
- Committee actions will be reported to the full 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.

24. **Evaluation of the Chief Executive Officer**

- Directors are encouraged to comment to the Chief Executive Officer, the Chairman of the Board or the Chairman of the Corporate Governance Committee upon the performance of the Chief Executive Officer when circumstances warrant.
- The Corporate Governance Committee will ensure that the Board conducts an annual formal evaluation of the Chief Executive Officer and will consider factors such as individual performance, the extent to which measures related to enterprise challenges are successfully achieved, the feedback of all independent directors and the advice of outside experts who are consulted by the Compensation Committee in establishing the compensation of the Chief Executive Officer.

25. **Management Succession and Development Plan**

- The Chairman of the Board and/or the Chief Executive Officer will review management succession plans at least annually with the Board.
- The Board will seek to assure that the status of organizational strengths is equal to requirements of long-range goals.

26. **Periodic Review**

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

27. **Regular Meetings of Outside Directors**

- The outside members of the Board will hold regular meetings without other directors present and may invite such members of management to attend as they may determine. In the event that the outside 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.
- The Lead Director or non-employee executive Chairman of the Board will preside over executive sessions of the Board.

28. **Continuing Education**

- Directors are encouraged to take advantage of continuing education opportunities that will enhance their ability to fulfill their responsibilities.