

**INTER PIPELINE LTD.
BOARD OF DIRECTORS
TERMS OF REFERENCE**

ESTABLISHMENT OF THE BOARD OF DIRECTORS

The Board of Directors of Inter Pipeline Ltd. (the “Company”) to be known as the “Board” is hereby established.

MEMBERSHIP

A majority of directors comprising the Board must qualify as independent directors within the meaning of the current definition of such term prescribed by the Toronto Stock Exchange and any regulatory body having jurisdiction over the Company.

MANDATE

I. General Mandate

The Board's primary responsibility is to foster the long-term success of the Company as consistent with the Board's fiduciary responsibility to act in the best interests of the Company's shareholders.

The Board of Directors has plenary power. Any responsibility not delegated to management or a committee of the Board remains with the Board. These terms of reference are prepared to assist the Board and management in clarifying responsibilities and ensuring effective communication between the Board and management.

II. Specific Mandate

The Board will be responsible for:

1. Managing the Affairs of the Board

The Board operates by delegating certain of its authorities, including spending authorizations, to management and by reserving certain powers to itself. Certain of the legal obligations of the Board are described in detail in Section II.8. Subject to these legal obligations and to the Articles and By-Laws of the Company, the Board retains the responsibility for managing its own affairs, including:

- a) planning its composition and size;
- b) nominating candidates for election to the Board;
- c) approving committees of the Board and membership of directors on committees;
- d) determining director and Chairman's compensation; and

- e) assessing the effectiveness of the Board, committees and directors in fulfilling their responsibilities.

2. Management and Human Resources

The Board has the responsibility for:

- a) the appointment and succession of the Chief Executive Officer (CEO) and monitoring CEO performance, approving CEO compensation and providing advice and counsel to the CEO in the execution of the CEO's duties;
- b) approving a position description for the CEO;
- c) reviewing CEO performance at least annually, against agreed-upon written objectives;
- d) acceptance of outside directorships or trusteeships on public and private companies or entities by directors (other than not-for-profit organizations and personal tax-planning or other personal finance-related companies or entities);
- e) approving decisions relating to senior management, including the:
 - i. appointment and discharge of officers of the Company and members of the senior leadership team;
 - ii. compensation and benefits for members of the senior leadership team;
 - iii. acceptance by executive officers of outside directorships or trusteeships on public and private companies or entities (other than not-for-profit organizations and personal tax-planning or other personal finance-related companies or entities);
 - iv. annual Company and business unit performance objectives utilized in determining incentive compensation or other awards to officers; and
 - v. employment contracts, termination and other special arrangements with executive officers, or other employee groups if such action is likely to have a subsequent material¹ impact on the Company or its basic human resource and compensation policies.
- f) taking all reasonable steps to ensure succession planning programs are in place, including programs to train and develop management; and

¹ For purposes of these Terms of Reference, the term "material" includes a transaction or a series of related transactions that would, using reasonable business judgment and assumptions, have a meaningful impact on the Company. The impact could be relative to the Company's financial performance and liabilities as well as its reputation.

- g) approving certain matters relating to all employees, including:
 - i. the annual salary policy/program for employees;
 - ii. new benefit programs or changes to existing programs that would create a material change in cost to the Company annually; and
 - iii. material benefits granted to retiring employees outside of benefits received under approved benefit programs.

3. Strategy and Plans

The Board has the responsibility to:

- a) participate in strategic planning sessions to develop with management and ultimately approve, Company strategies and objectives;
- b) approve capital and expenditure budgets and related operating plans;
- c) approve financial and operating objectives used in determining compensation;
- d) approve the entering into, or withdrawing from, lines of business that are, or are likely to be, material to the Company;
- e) approve material divestitures and acquisitions; and
- f) monitor management's achievements in implementing Company strategies and objectives, including in changing circumstances.

4. Financial and Corporate Issues

The Board has the responsibility to:

- a) take reasonable steps to ensure the implementation and integrity of the Company's internal control and management information systems;
- b) monitor operational and financial results;
- c) approve annual financial statements, review quarterly financial results and approve the release thereof by management;
- d) approve the Annual Information Form and Information Circular and any documents incorporated by reference therein;
- e) declare dividends to shareholders;

- f) approve financing, changes in authorized capital, issue and repurchase of shares, issue of debt securities, listing of shares and other securities, issue of commercial paper, and related prospectuses and trust and note indentures;
- g) recommend appointment of external auditors;
- h) approve banking resolutions and significant changes in banking relationships;
- i) approve contracts, leases and other arrangements or commitments that may have a material impact on the Company;
- j) approve spending authority delegations to the CEO; and
- k) approve the commencement or settlement of litigation that may have a material impact on the Company.

5. Business and Risk Management

The Board has the responsibility to:

- a) take all reasonable steps to ensure that management has identified the principal risks of the Company's business and implemented appropriate systems to manage the risks;
- b) review reports on capital commitments and expenditures relative to approved budgets;
- c) review operating and financial performance relative to budgets or objectives;
- d) review the Company's insurance program;
- e) receive, on a regular basis, reports from management on matters relating to, among others, ethical conduct, environmental management, health and safety, asset integrity, human rights, and related party transactions;
- f) assess and monitor on an annual basis management control systems, including to:
 - i. evaluate and assess information provided by management and others (e.g. internal and external auditors) about the effectiveness of management control systems; and
 - ii. understand principal risks and determine whether the Company achieves a proper balance between risk and returns and that management ensures that systems are in place to address risks identified.

6. Policies and Procedures

The Board has the responsibility to:

- a) monitor compliance with all significant policies and procedures by which the Company is operated;
- b) direct management to ensure the Company operates at all times within applicable laws and regulations and to the highest ethical and moral standards;
- c) provide policy direction to management while respecting its responsibility for day-to-day management of the Company's businesses; and
- d) review significant new corporate policies or material amendments to existing policies (including, for example, policies regarding business conduct, conflict of interest and the environment).

7. Compliance Reporting and Corporate Communications

The Board has the responsibility to:

- a) take all reasonable steps to ensure the Company has in place effective communication processes with shareholders and other stakeholders and financial, regulatory and other recipients;
- b) approve interaction with shareholders on all items requiring shareholder response or approval;
- c) take all reasonable steps to ensure that the financial performance of the Company is adequately reported to shareholders, other security holders and regulators on a timely and regular basis;
- d) take all reasonable steps to ensure that financial results are reported fairly and in accordance with generally accepted accounting principles;
- e) take all reasonable steps to ensure the timely reporting of any other developments that have a material impact on the Company; and
- f) report annually to shareholders on the Board's stewardship for the preceding year through the Annual Report and the Information Circular.

8. General Legal Obligations of the Board of Directors

The Board is responsible for:

- a) directing management to ensure legal requirements have been met and documents and records have been properly prepared, approved and maintained;
- b) changes in the By-Laws and Articles of Incorporation, and any matters requiring shareholder approval, and agendas for shareholder meetings;

- c) approving the Company's legal structure, name, logo, and vision statement;
- d) taking all reasonable steps to ensure compliance with all material legal requirements applicable to the Company, including corporate and securities laws; and
- e) performing such functions as it reserves to itself or which cannot, by law, be delegated to committees of the Board or to management.

ADMINISTRATIVE MATTERS

1. Appointment of Board Members

Nominees for directors are initially considered and recommended by the Governance Committee of the Board and elected annually by the shareholders of the Company.

2. Board Chairman

The Board shall appoint a Chairman of the Board. The Chairman shall fulfill the requirements set out in the applicable role description approved by the Board, including convening and directing meetings of the Board and preparing and/or approving an agenda in advance of each meeting.

3. Absence of Board Chairman

If the Chairman of the Board is not present at any meeting of the Board, one of the other members of the Board present at the meeting shall be chosen by the Board to preside at the meeting.

4. Secretary of Board

The Board shall appoint a Secretary who need not be a director of the Company.

5. Meetings

The Board shall meet at least four times annually.

6. Notice of Meetings

Notice of the time and place of every meeting shall be given verbally or in writing (including by email or by facsimile communication) to each member of the Board at least 24 hours prior to the time fixed for such meeting; provided, however, that a member may in any manner waive a notice of a meeting; and attendance of a member at a meeting is a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

7. Quorum

A simple majority of the members of the Board, present in person or by telephone or other communication device that permits all persons participating in the meeting to speak to each other, shall constitute a quorum.

8. Attendance of Company Officers at Meeting

At the invitation of the Chairman of the Board, one or more officers, employees or consultants of the Company may attend any meeting of the Board.

9. Procedures, Records and Reporting

The Board shall fix its own procedure at meetings and keep records of its proceedings, including minutes of all meetings of the Board.

10. Review of Terms of Reference

The Board shall review its terms of reference annually or otherwise, as it deems appropriate.

11. Outside Advisors

The Board has the authority to engage and compensate any outside advisor that it determines to be necessary to permit it to carry out its duties.