

**INTER PIPELINE LTD.
GOVERNANCE COMMITTEE
TERMS OF REFERENCE**

ESTABLISHMENT OF GOVERNANCE COMMITTEE

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

MEMBERSHIP

The Governance Committee (the “Committee”) shall consist of not less than three directors, a majority of whom are resident Canadians (as defined in the Alberta Business Corporations Act), and all of whom are 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

1. General Mandate

The Committee's mandate is to enhance the Company’s corporate governance through a continuing assessment of its approach to corporate governance and to make policy recommendations with respect thereto.

2. Specific Mandate

I. The Committee shall:

- a) review, from time to time, the size, composition and profile of the Board of Directors (the “Board”);
- b) review and report to the Board annually its assessment of the performance of the Board, and the basis of that evaluation;
- c) review annually the performance of individual Board members and the qualifications of persons proposed for election to the Board, or to be appointed to fill any vacancies, and submit the Committee recommendations to the Board for review;
- d) annually review the retirement age of the directors in accordance with the Company’s Director Retirement Policy;
- e) make recommendations relative to the composition of the various Committees of the Board;

- f) review and approve the acceptance by directors or officers of the Company of outside directorships or trusteeships on the boards of public or private companies or entities (other than not-for-profit organizations and personal tax-planning or other personal finance-related companies or entities);
- g) review annually the compliance of individual board members and officers of the Company with the Company's Share Ownership Guidelines;
- h) receive periodic updates from the Vice President, Legal on material litigation, disputes or claims involving the Company; and
- i) review all governance-related information to be included in the Company's Annual Reports, Annual Information Forms and Information Circulars

II. The Committee shall develop the policies and procedures of the Board regarding corporate governance issues, including:

- a) on an annual basis, recommend and bring forward to the Board a general list of corporate governance issues for review, discussion or action by the Board or a Committee thereof;
- b) review the Company's policies and procedures to ensure that the Board is able to, and in fact, is functioning independently of management;
- c) assess the effectiveness of the Board as a whole and recommend steps which may be taken to improve effectiveness;
- d) assess the availability, relevance and timeliness of information required by the Board;
- e) monitor the quality of the relationship between management and the Board and recommend improvements as deemed necessary or desirable;
- f) ensure that any issues of corporate governance identified by any directors are raised to the Board and/or management, as required;
- g) review any surveys completed by directors dealing with the effectiveness of the operation of the Board;
- h) periodically review the independence of directors to determine the existence of any relationships with the Company, to ensure a majority of the directors are independent and, where any relationship exists, that the director is acting appropriately;
- i) ensure that the Company has a Code of Ethics and that it is implemented and monitored effectively;

- j) ensure that the Company has a Disclosure Committee and a Disclosure Policy and that the Disclosure Policy is implemented and monitored effectively and that it is reviewed and updated on an annual basis;
- k) ensure that the Company has adequately addressed succession planning;
- l) ensure that the Company has a Board and Senior Management Diversity Policy and that it is implemented and monitored from time to time; and
- m) undertake such other initiatives as are needed to help deliver pre-eminent corporate governance.

ADMINISTRATIVE MATTERS

1. Appointment of Committee Members

Members of the Committee shall be appointed annually by the Board.

2. Vacancies

Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board and shall be filled by the Board if the membership of the Committee is less than three directors.

3. Committee Chair

The Board shall appoint a Chair of the Committee. The Chair shall convene and direct meetings of the Committee and prepare and/or approve an agenda in advance of each meeting.

4. Absence of Committee Chair

If the Chair of the Committee is not present at any meeting of the Committee, one of the other members of the Committee present at the meeting shall be chosen to preside at the meeting.

5. Secretary of Committee

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

6. Meetings

The Committee shall meet at least semi-annually. The Chair or any two members of the Committee may call a meeting of the Committee.

7. Notice of Meetings

Notice of the time and place of every meeting shall be given in writing (including by email or by facsimile communication) to each member of the Committee 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.

8. Quorum

A simple majority of the members of the Committee, 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.

9. Voting

Voting in respect of matters before the Committee will be by simple majority. In the case of an equality of votes, the Chair will not have a second or deciding vote.

10. Attendance of Non-Committee Members at Meeting

At the invitation of the Chair of the Committee, one or more officers, employees or consultants of the Company may attend any meeting of the Committee. All directors of the Company may attend all meetings of the Committee.

11. Procedures, Records and Reporting

The Committee shall fix its own procedure at meetings, keep records of its proceedings and report to the Board when the Committee may deem appropriate (but generally, not later than the next meeting of the Board).

12. Review of Terms of Reference

The Committee shall review its terms of reference annually or otherwise, as it deems appropriate and propose or recommend changes to the Board.

13. Outside Advisors

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