

GOVERNANCE COMMITTEE

TERMS OF REFERENCE

PART 1

ESTABLISHMENT OF COMMITTEE AND PROCEDURES

1. **Committee**

A Committee of the Directors to be known as the "Governance Committee" is hereby established.

2. **Composition of 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), none of whom is either an officer or employee of Pipeline Management Inc. or any of its subsidiaries or affiliates and all of whom are persons not affiliated with Pipeline Management Inc. or Inter Pipeline Fund.

3. **Appointment of Committee Members**

Members of the Committee shall be appointed annually at the meeting of the Directors at which the financial statements for the preceding year end are approved, and shall hold office until the next meeting where financial statements for the preceding year are approved, or until their successors are appointed, or until they cease to be Directors of Pipeline Management Inc. It is desirable that membership on the Committee be rotated such that as many different Directors as possible have an opportunity at some time to serve on the Committee.

4. **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.

5. **Committee Chair**

The Board shall appoint a Chair for the Committee. The Chair of the Committee shall convene and direct meetings of the Committee.

6. **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 by the Committee to preside at the meeting.

7. **Secretary of Committee**

The Committee shall appoint a Secretary who need not be a director of Pipeline Management Inc.

8. **Meetings**

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

9. **Quorum**

Two members of the Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak to each other, shall constitute a quorum.

10. **Notice of Meetings**

Notice of the time and place of every meeting shall be given in writing 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.

11. **Attendance of Pipeline Management Inc. Officers at Meeting**

At the invitation of the Chair of the Committee, one or more officers of Pipeline Management Inc. may attend any meeting of the Committee.

12. **Procedure, 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 not later than the next meeting of the Board).

13. **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.

14. **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.

PART II**MANDATE OF COMMITTEE****15. General Mandate**

The Committee's mandate is to enhance Inter Pipeline Fund's and Pipeline Management Inc.'s corporate and limited partnership governance through a continuing assessment of their approaches to corporate and limited partnership governance and to make policy recommendations with respect thereto.

16. Specific Mandates

- I. The Committee shall, in consultation with the Chairman and the President of Pipeline Management Inc.:
 - a) review, from time to time, the size, composition and profile of the Board of Directors;
 - 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 of Directors, or to be appointed to fill any vacancies, and submit the Committee recommendations to: (i) the shareholder of Pipeline Management Inc. for consideration and decision, and (ii) to the Board for review;
 - d) review and approve the acceptance by directors or officers of Pipeline Management Inc. of outside directorships or trusteeships on the boards of public or private companies or entities in the same or related businesses as Inter Pipeline Fund (other than not-for-profit organizations);
 - e) review from time to time the retirement age of the Directors; and
 - f) make recommendations relative to the composition of the various Committees of the Board.
- II. The Committee shall develop the policies and procedures of the Board of Directors regarding corporate and limited partnership governance issues, having regard to the rights and obligations of Pipeline Management Inc., as the General Partner of Inter Pipeline Fund, and the terms of the limited partnership agreement, including:
 - a) on an annual basis, recommend and bring forward to the Board a general list of corporate governance and limited partnership issues for review, discussion or action by the Board or a Committee thereof;
 - b) review Pipeline Management Inc.'s structures and procedures to ensure that the Board of Directors 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 management;
- 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 Pipeline Management Inc. and Inter Pipeline Fund, to ensure a majority of the directors are independent and unrelated to Pipeline Management Inc. and Inter Pipeline Fund and, where any relationship exists, that the director is acting appropriately;
- i) ensure that Pipeline Management Inc. and Inter Pipeline Fund have a Code of Ethics and that it is implemented and monitored effectively;
- j) ensure that Pipeline Management Inc. and Inter Pipeline Fund have a Disclosure Committee and Policy and that it is implemented and monitored effectively and that it is reviewed and updated on an annual basis;
- k) ensure that Pipeline Management Inc. and Inter Pipeline Fund have adequately addressed succession planning; and
- l) undertake such other initiatives as are needed to help deliver pre-eminent corporate governance within the context of the limited partnership structure.

Revised by the Governance Committee – January 18, 2007. Revisions approved by the Board of Directors – February 22, 2007. Revised by the Governance Committee – January 26, 2011. Revisions approved by the Board of Directors – February 17, 2011.