

**TERMS OF REFERENCE FOR THE BOARD OF DIRECTORS OF  
PIPELINE MANAGEMENT INC. (the "Company"),  
AS GENERAL PARTNER OF INTER PIPELINE FUND (the "Partnership")**

**I. INTRODUCTION**

- A. The Board's primary responsibility is to foster the long-term success of the Partnership consistent with obligations of the Company under the Limited Partnership Agreement and to foster the long-term success of the Company as consistent with the Board's fiduciary responsibility to the shareholders to maximize shareholder value.
- B. Subject to the Unanimous Shareholder Agreement between Pipeline Assets Corp. and the Company (the "USA") 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. COMPOSITION AND BOARD ORGANIZATION**

- A. Nominees for directors are initially considered and recommended by the Governance Committee of the Board and elected annually by the shareholders of the Company. Pursuant to the USA, the shareholders of the Company will receive and give due consideration to recommendations from the Governance Committee of the Board.
- B. A majority of directors comprising the Board must qualify as independent directors within the meaning of the then current definition of such term prescribed by the Toronto Stock Exchange and any regulatory body having jurisdiction over the Partnership.
- C. Directors who are not members of management will meet on a periodic basis to discuss matters of interest independent of any influence from management.
- D. Independent directors shall meet following each meeting of the full board of directors and shall, on an annual basis, appoint a "lead independent director".
- E. Certain of the responsibilities of the Board referred to herein may be delegated to committees of the Board. The responsibilities of those committees will be as set forth in their terms of reference, as approved by the Board and amended from time to time.

**III. DUTIES AND RESPONSIBILITIES**

**A. Managing the Affairs of the Board**

Subject to the USA, 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 IV. Subject to these legal obligations and to the Articles and By-laws of the Company, and the Limited Partnership Agreement and USA, the Board retains the responsibility for managing its own affairs, including:

- i) planning its composition and size;
- ii) nominating candidates for election to the Board;
- iii) approving committees of the Board and membership of directors thereon;
- iv) determining director and Chairman's compensation; and
- v) assessing the effectiveness of the Board, committees and directors in fulfilling their responsibilities.

## **B. Management and Human Resources**

The Board has the responsibility for:

- i) 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;
- ii) approving a position description for the CEO;
- iii) reviewing CEO performance at least annually, against agreed-upon written objectives;
- iv) acceptance of outside directorships or trusteeships on public and private companies or entities in the same or related businesses as the Partnership by directors (other than not-for-profit organizations);
- v) approving decisions relating to senior management, including the:
  - a) appointment and discharge of officers of the Company and members of the senior leadership team;
  - b) compensation and benefits for members of the senior leadership team;
  - c) acceptance by executive officers of outside directorships or trusteeships on public and private companies or entities (other than not-for-profit organizations);
  - d) annual Partnership and business unit performance objectives utilized in determining incentive compensation or other awards to officers; and
  - e) employment contracts, termination and other special arrangements with executive officers, or other employee groups if such action is likely to have a subsequent material<sup>1</sup> impact on the Partnership or its basic human resource and compensation policies.
- vi) taking all reasonable steps to ensure succession planning programs are in place, including programs to train and develop management;
- vii) approving certain matters relating to all employees, including:
  - a) the annual salary policy/program for employees;
  - b) new benefit programs or changes to existing programs that would create a change in cost to the Company annually; and
  - c) material benefits granted to retiring employees outside of benefits received under approved benefit programs.

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<sup>1</sup>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 Partnership. The impact could be relative to the Corporation's financial performance and liabilities as well as its reputation.

### **C. Strategy and Plans**

The Board has the responsibility to:

- i) participate in strategic planning sessions to ensure that management develops, and ultimately approve, Partnership strategies and objectives;
- ii) approve capital and expenditure budgets and relating operating plans;
- iii) approve financial and operating objectives used in determining compensation;
- iv) approve the entering into, or withdrawing from, lines of business that are, or are likely to be, material to the Company or Partnership;
- v) subject to the independent review and approval function of the independent directors, approve material divestitures and acquisitions; and
- vi) monitor management's achievements in implementing Partnership strategies and objectives, in light of changing circumstances.

### **D. Financial and Corporate Issues**

The Board has the responsibility to:

- i) take reasonable steps to ensure the implementation and integrity of the Partnership's internal control and management information systems;
- ii) monitor operational and financial results;
- iii) approve annual financial statements, review quarterly financial results and approve the release thereof by management.
- iv) approve the Annual Information Form and documents incorporated by reference therein;
- v) declare distributions to Unitholders;
- vi) approve financing, changes in authorized capital, issue and repurchase of Units, issue of debt securities, listing of Units and other securities, issue of commercial paper, and related prospectuses and trust indentures;
- vii) recommend appointment of external auditors;
- viii) approve banking resolutions and significant changes in banking relationships;
- ix) approve appointments, or material changes in relationships with corporate trustees;
- x) approve contracts, leases and other arrangements or commitments that may have a material impact on the Company;
- xi) approve spending authority guidelines; and
- xii) approve the commencement or settlement of litigation that may have a material impact on the Company.

### **E. Business and Risk Management**

The Board has the responsibility to:

- i) take all reasonable steps to ensure that management has identified the principal risks of the Partnership's and the Company's business and implemented appropriate systems to manage these risks;
- ii) review reports on capital commitments and expenditures relative to approved budgets;

- iii) review operating and financial performance relative to budgets or objectives;
- iv) receive, on a regular basis, reports from management on matters relating to, among others, ethical conduct, environmental management, employee health and safety, human rights, and related party transactions;
- v) assess and monitor on an annual basis management control systems:
  - a) evaluate and assess information provided by management and others (e.g. internal and external auditors) about the effectiveness of management control systems; and
  - b) understand principal risks and determine whether the Partnership and the Company achieves a proper balance between risk and returns and that management ensures that systems are in place to address risks identified.

#### **F. Policies and Procedures**

The Board has responsibility to:

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

#### **G. Compliance Reporting and Corporate Communications**

The Board has the responsibility to:

- i) take all reasonable steps to ensure the Partnership and the Company has in place effective communication processes with Unitholders and other stakeholders and financial, regulatory and other recipients;
- ii) approve interaction with Unitholders on all items requiring unitholder response or approval;
- iii) take all reasonable steps to ensure that the financial performance of the Partnership and the Company is adequately reported to Unitholders, other security holders and regulators on a timely and regular basis;
- iv) take all reasonable steps to ensure that financial results are reported fairly and in accordance with generally accepted accounting principles;
- v) take all reasonable steps to ensure the timely reporting of any other developments that have significant and material impact on the Partnership and the Company; and
- vi) report annually to Unitholders on the Board's stewardship for the preceding year (the Annual Report).

#### **IV. GENERAL LEGAL OBLIGATIONS OF THE BOARD OF DIRECTORS**

- A. The Board is responsible for:
- i) directing management to ensure legal requirements have been met and documents and records have been properly prepared, approved and maintained;
  - ii) approving changes in the By-laws and Articles of Incorporation, the Limited Partnership Agreement, the USA and any matters requiring shareholder approval or Unitholder approval, and agendas for shareholder and Unitholder meetings;
  - iii) approving the Company's and the Partnership's legal structure, name, logo, and vision statement;
  - iv) take all reasonable steps to ensure compliance with all material legal requirements applicable to the Partnership and the Company, including, but without limitation, the Limited Partnership Agreement, the USA, corporate, partnership and securities laws; and
  - v) subject to the USA, performing such functions as it reserves to itself or which cannot, by law, be delegated to Committees of the Board or to management.